U. FUND

COLLEGE INVESTING PLAN℠

Introducing U.Fund℠, a new tax-advantaged way to invest for college.

A Program of the Massachusetts Educational Financing Authority. Managed by Fidelity Investments®.
Available to residents of all states.

Account Application

U.Fund College Investing Plan℠

The only securities held in this brokerage account will be units of interest in one of the investment portfolios of the U.Fund. The investment objective of this account is to seek capital appreciation with reasonable preservation of principal, consistent with the age of the beneficiary. **Please print your information in ink and return your completed application to us in the enclosed pre-paid envelope.** Please send a separate check for each account you open. For help completing this application, call us at 1-800-544-2776. Joint accounts, trusts and corporations are not eligible to open an account.

Fidelity Investments
U.Fund College Investing Plan
P.O. Box 770001
Cincinnati, OH 45277-0015

To establish an account, please fill out this application completely. An incomplete application will delay processing.

1: Information we need to establish your account

Your name and address:

Participant Name (first, MI, last):

Social Security or Taxpayer ID Number: ☐☐☐ – ☐☐ – ☐☐☐☐		Date of Birth (month/day/year) ☐☐ – ☐☐ – ☐☐☐☐			
Participant Permanent Street Address (no P.O. Boxes):	City:	State:	Zip Code:	Evening Phone: ( )	
Participant Mailing Address (if different from above):	City:	State:	Zip Code:	Daytime Phone: ( )	

Citizenship (Non-resident aliens are not eligible to participate in the program.): ☐ U.S. Citizen ☐ Resident Alien

Employment Status: ☐ Employed ☐ Not employed ☐ Retired

Occupation (If retired or not employed, indicate source of income):

Employer and Employer's Address:

Affiliations:

- Are you affiliated with or employed by a stock exchange or member firm of an exchange or the NASD*, by Fidelity or by a municipal securities dealer or broker? If yes, Company ______
- Are you a ☐ director, ☐ 10% shareholder, or ☐ policy-making executive of a public company? If yes, Company ______ Trading symbol ______

*If yes, you must include a letter of account approval from your Compliance Officer with your account application and indicate your employer's company name and address above. Notification of your intent to open an account will be sent to your employer in accordance with the current regulations.

2: Beneficiary Information (required to set up account)

Beneficiary Name (first, MI, last):

Beneficiary Social Security Number: ☐☐☐ – ☐☐ – ☐☐☐☐	Beneficiary Date of Birth (month/day/year): ☐☐ – ☐☐ – ☐☐☐☐	Beneficiary State of Residence:

Citizenship (Non-resident aliens are not eligible to participate in the program.): ☐ U.S. Citizen ☐ Resident Alien

Optional: Relationship to Your Beneficiary (No relationship required):

☐ Parent ☐ Grandparent ☐ Other Relative ☐ Other ______

3: Indicate how you will fund your new account

The minimum initial deposit required to open this account is $1,000 unless you establish Fidelity Automatic Account Builder® (FAAB) and then the minimum is $50 per month or $150 per quarter. To open a new account, you need to provide a check along with your account application unless you are transferring funds from another Fidelity account. Fidelity does not accept cash, third party, foreign or traveler's checks. Fidelity has the right to reject specific purchases. **Check boxes that apply.**

☐ I've enclosed a check for $ ____________________ made payable to **Fidelity Brokerage Services, Inc.**

If you have a Fidelity Investments brokerage or mutual fund account, you may choose the following options:

I instruct you to:

☐ Sell (liquidate) $____________________ (dollar amount) from my core account in my Fidelity **brokerage** account number __ __ __ – __ __ __ __ __ __. Transfers of securities or mutual funds cannot be accepted. Fidelity can only liquidate funds from your core account. Fidelity cannot liquidate security positions to open your account.

☐ Sell (liquidate) ____________________ (shares) **or** $________________(dollars) and transfer the proceeds from the following Fidelity **mutual fund** ____ (fund name). My account number is __ __ __ __ __ __ __ __ __ __ __. Fidelity mutual funds will be sold and will be subject to any applicable trading fees as is specified in the fund's prospectus.

We require 100% of a trade's value in a new account. Registrations on your account must be identical to your U.Fund account. If they are not, attach a letter of authorization signed by all original account owners or have joint Fidelity account owners sign below. Fidelity requires all joint account holder signatures before any funds can be transferred to open your U.Fund account.

SIGNATURE OF JOINT ACCOUNT OWNER (if applicable) | Date (month, day, year)

X

4: Fidelity Automatic Account Builder® ("FAAB")

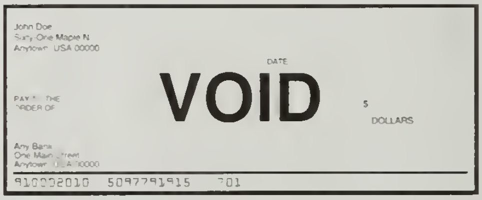
FAAB allows you to set up monthly or quarterly transfers from your bank account to your U.Fund brokerage account. Passbook savings accounts are not eligible. Please note that money will be transferred from your bank account prior to the settlement of your investment in the portfolio. The amount transferred will be used to settle all periodic investments for that day. Please refer to the U.Fund Fact Kit for any applicable investment minimums.

Yes, by checking this box ☐, I wish to establish FAAB (if chosen, please complete the additional information below and read the "For FAAB Customers Only" portion of Section 6). **Please attach a voided check or non-passbook savings deposit slip from your bank to this application.**
Note: One common name must appear on both your bank account and U.Fund brokerage account.

- *Choose frequency of investments:*

  ☐ Monthly ($50 minimum) ☐ Quarterly ($150 minimum)

  Quarterly investments will be made in March, June, September and December, unless you call to specify otherwise.
- *Indicate the date on which you want regular investments to occur:* ____________ . *If no date is indicated, investments will be made on the 20th.*



Attach check or deposit slip here

- *Indicate dollar amount of automatic transfer:* $______________ . *If no amount is indicated, $50 automatic monthly transfers will be made.*
- **Please allow approximately 30 days for the first transfer.**

Please note that you **must send in an initial deposit** even if you are signing up for FAAB, unless you are liquidating assets from an existing Fidelity account

JOINT BANK ACCOUNT OWNER (if applicable)

- I hereby authorize and request Fidelity to secure payment of the amount indicated above to be invested by the participant by initiating debit entries to the account indicated in the bank named above ("BANK"), and I authorize and request the BANK to accept any such debit entries initiated by Fidelity to such account and to credit, as requested, the same to the participant's Fidelity account, without any further authorization relating hereto. I hereby ratify any instructions given pursuant to this authorization and agree that Fidelity will not be liable for any loss, liability, cost or expense for acting upon such instructions.

SIGNATURE OF JOINT BANK ACCOUNT OWNER (if applicable) | Date (month, day, year)

X

5: Indicate if you want to send a duplicate statement to an interested party

Please choose whether you would like another individual to receive duplicate confirms and/or statements for this account. Please provide the name and address of the individual or interested party below. Please check one box.

Confirms Only　　Statements Only　　Both Confirms and Statements

Name (first, MI, last):		
Address:		
City:	State:	Zip Code:

6: Signature

Participants must READ the Customer Agreement and the Participation Agreement. SIGN this section in ink.

Participation Agreement:

- By signing below, I agree to participate in the U.Fund. I acknowledge that I have read, understood and agree to the terms and conditions set forth in the separate Participation Agreement.
- **I understand that the Participation Agreement and its enforcement shall be governed by the laws of the Commonwealth of Massachusetts and is not subject to arbitration.** It shall cover individually and collectively all accounts which the undersigned may open or reopen under the Trust. It shall inure to the benefit of the Trust's successors and assigns, and the Participation Agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the undersigned.

- I understand that it is my responsibility to read the Fact Kit. I have read, understood, and agree to the terms and conditions set forth in the separate Fact Kit as is currently in effect and as may be amended from time to time.
- I hereby request Fidelity Brokerage Services, Inc., and National Financial Services Corporation (collectively "Fidelity") to open a U.Fund brokerage account in the name listed as participant on this application.
- I acknowledge that I have read, understood, and agree to the terms set forth in the Customer Agreement. I am at least 18 years of age and of full legal age in the state in which I reside. I understand that you will supply my name to issuers of any securities held in my account so I might receive any important information regarding them, unless I notify you in writing not to do so. I hereby ratify any telephone instructions given pursuant to this authorization and agree that Fidelity will not be liable for any loss, liability, cost, or expense for acting upon such instructions. I understand that telephone calls to Fidelity may be recorded, and I consent to such tape recordings.
- **I understand that the Customer Agreement and its enforcement shall be governed by the laws of the Commonwealth of Massachusetts.** It shall cover individually and collectively all accounts which the undersigned may open or reopen with Fidelity. It shall inure to the benefit of Fidelity's successors and assigns, and this Agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the undersigned.
- **For FAAB Customers Only:** I hereby authorize and request Fidelity to secure payment of the amount indicated above to be invested by me by initiating debit entries to the account indicated in the bank named above ("BANK"), and I authorize and request the BANK to accept any such debit entries initiated by Fidelity to such account and to credit, as requested, the same to my Fidelity account, without any further authorization relating hereto. I hereby ratify any instructions given pursuant to this authorization and agree that Fidelity will not be liable for any loss, liability, cost or expense for acting upon such instructions.
- **I am a U.S. citizen or resident alien. I certify under penalties of perjury that: (1) the Social Security or taxpayer identification numbers provided above are correct; and (2) I am not subject to Internal Revenue Service (IRS) backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the IRS that I am subject to backup withholding; or (c) I have been notified by the IRS that I am no longer subject to backup withholding. (Cross out item 2 if it does not apply to you.)**

The Internal Revenue Service does not require your consent to any provisions of this document other than the certifications required to avoid backup withholding.

- I agree to adopt and be bound by the terms and conditions of the Customer Agreement, as is currently in effect and as may be amended from time to time. I also certify that the information provided above is accurate and true.

This account is governed by a predispute arbitration clause, which is found in Section 14 of the Customer Agreement. I acknowledge receipt of the predispute arbitration clause.

SIGNATURE OF PARTICIPANT　　Date (month, day, year)

X

For Fidelity Use Only

Account # Assigned　　Reg. Rep. Signature　　Date

Approving Manager's Signature　　Date

Fidelity Investments®

U. FUND

College Investing Plan™

71859.001

MACIT-APP-0399
1.715180.100

9180542

February 19, 1999

U. FUND

College Investing Plan℠

SUPPLEMENTAL INFORMATION

Fact Sheet

Fact Kit

Participant Handbook

Participation Agreement

MEFA
Massachusetts Educational Financing Authority

Fidelity Investments®

Established and Maintained by the
Massachusetts Educational Financing Authority
and Administered by Fidelity Investments

TABLE OF CONTENTS

PART I – BASIC QUESTIONS AND ANSWERS

The U.Fund College Investing Plan (the "Plan"), established by the Massachusetts Educational Financing Authority ("MEFA"), an independent authority and public instrumentality of the Commonwealth of Massachusetts, and administered by Fidelity Investments, is a new way to save for college, graduate school, and other forms of higher education. Recent changes in the federal tax laws make it possible. Here are the basics of how it works.

For the sake of simplicity, we have assumed that you are a parent saving for your child's college education and want to set up just one Account for that child. The questions and answers that follow are expressed that way.

How Do I Set Up an Account? You (the "Participant") establish an Account by signing the Fidelity Brokerage Services, Inc. ("FBSI") brokerage account application, and by making an investment in an Account for the benefit of an individual you choose (the "Beneficiary"). You may open more than one Account, but you may open only one Account for each Beneficiary. Each Account must be for the benefit of one named individual Beneficiary in order to comply with federal tax law requirements.

Who Can Be a Beneficiary? You can set up an Account for your child, your grandchild, your spouse, another relative, or even someone not related to you. The Beneficiary may be of any age. You cannot set up an Account to save for your **own** higher education expenses at this time, because we are not sure that this would be acceptable under federal income tax laws.

Who Can Change the Beneficiary? You are the only person who can change the Beneficiary.

Why Do I Open a Brokerage Account with FBSI? FBSI is responsible for keeping records on behalf of the Plan. Your Plan Account will be maintained through a FBSI brokerage account showing the value of your Plan Account and your Plan Account activity.

Can My Spouse and I Open a Joint Account? No. Each Account must be established by one person. Due to federal tax laws, the Plan will accept investments only from the person who opens the Account. Only the person who invests in an Account can give instructions to distribute money from the Account for college or for any other reason. Corporations and trusts may not open Accounts at this time, but may be able to do so in the future.

Can I Put My Own Stocks, Bonds or Property in My Account? No. Federal tax law requires that all investments be made "in cash." Checks are considered cash for this purpose and will be accepted.

How Do I Make Additional Investments? You may send Fidelity money by check. You may also choose to make periodic contributions by payroll deduction or by automatic transfers from your bank account. If you do this you will not have to pay a $30 annual Account fee. See "What Expenses Are Involved?" below for a description of expenses associated with an investment in the Plan.

How Will My Account Be Invested? Money in your Account will be placed into one of eight investment portfolios of the Massachusetts Higher Education Savings Plan Trust (the "Trust"). Each Portfolio pools the money that is invested in it by Participants and invests that money toward a specified goal. Each Portfolio consists of units of interest. A Portfolio's unit value is the value of a single unit.

Each Portfolio invests in Fidelity Investments mutual funds selected by Strategic Advisers, Inc., a Fidelity Investments affiliated company registered with the U.S. Securities and Exchange Commission as an investment adviser. The mutual funds and the allocations of the Portfolios' assets among the mutual funds were approved by MEFA, which is authorized to direct and change the investment of contributions to the Trust. **Depending on the performance of the mutual funds, your Account may be worth more or less than what you invest.**

What Expenses Are Involved? There is a daily charge against the assets of the Portfolio in which your Account is invested. This charge is currently at an annual rate of 0.30%. If your Account were worth exactly $10,000 on each day of a year, this charge would be equal to $30 for that year. The effect of this charge is to reduce the daily unit value of each Portfolio.

Each of the mutual funds in which Portfolio assets are invested also has investment management fees and other expenses. Your money will not be invested in any mutual fund that imposes a sales load on Plan Accounts.

There is also an annual fee that is currently $30 per Account. This fee is waived if you choose to make periodic contributions by payroll deduction or by automatic transfers from your bank account. This fee is also waived if the combined value of your Account and any related Accounts (other Accounts established for the same Beneficiary) is $25,000 or more.

Can I Invest in the Plan and in an Education IRA? If you invest a total of more than $500 in the Plan and an Education IRA during the same year, the investment in the Education IRA will be subject to a penalty of 6% of the amount invested during that year. The penalty will also apply each subsequent year until the investment in the Education IRA, and any earnings thereon, are withdrawn. If you invest solely in the Plan and not in an Education IRA, there is no penalty.

Does the Commonwealth of Massachusetts or MEFA Make Any Guarantees? Neither the Commonwealth nor MEFA makes any guarantees of any type. The Commonwealth's faith and credit do not back any of the investments in your Account, nor do MEFA's assets or revenues. Neither the Commonwealth nor MEFA promises that your Account will increase in value or achieve any rate of return, or that your Account will not decrease in value.

Neither the Commonwealth nor MEFA guarantees that your child will be accepted at any institution of higher learning. Even after your child begins college, neither the Commonwealth nor MEFA guarantees that your child will be able to continue to attend, that he or she will graduate, or that he or she will be considered a resident of any particular state for tuition purposes.

Can I Choose the Mutual Funds for My Account? No. Federal tax law requires that you not be able to direct the investment of the assets in your Account, directly or indirectly. Your Account will be invested in one of the Portfolios based on the age of your Beneficiary. The assets of each Portfolio will be allocated among a number of Fidelity Investments mutual funds, subject to any changes authorized by MEFA. The allocation of the assets among the mutual funds will be based on the age of your child.

How Will Mutual Funds Be Chosen? When you open your Account, you will tell us your child's birth date. For younger children, Strategic Advisers will allocate a substantial portion of your Account's value to mutual funds that invest primarily in stocks. For children who are not quite as young, Strategic Advisers will allocate less to stock mutual funds and more to more conservative bond funds and money market funds. For children who are anticipated to begin college very soon, an even higher percentage of your Account's assets will be invested in bond and money market funds. Strategic Advisers believes that this approach provides the opportunity to take advantage of the stock market while lessening the risk that a sudden drop in the stock market will reduce the value of an Account shortly before the Beneficiary is expected to attend college.

What Are the Federal Income Tax Advantages of the Plan? There are two main federal income tax advantages to the Plan.

First, any investment gains on the money you invest in your Account will not be subject to federal income taxes until they are distributed. Second, there is special federal income tax treatment for money that is used to pay for "qualified higher education expenses" as defined in the Internal Revenue Code.

In general, tuition, fees, room and board, books and equipment are considered "qualified higher education expenses." Any gains in the Account that are used to pay for qualified higher education expenses are taxed as income to the student, not to you. This can result in significant tax savings if you are in a higher tax bracket than the student.

For example, suppose you make investments in an Account totaling $10,000, and the Account grows to $20,000 by the time the student goes to college. Then all the money is taken out at once and used for qualified higher education expenses. If the student is in the 15% tax bracket, the student will owe federal income tax of $1,500 (15% x ($20,000 - $10,000)).

Now let's suppose that instead you put the $10,000 into an investment that doesn't qualify for this favorable tax treatment and it grows to $20,000 by the time the student goes to college. Then you take all the money out at once and use it for qualified higher education expenses. If you were in the 28% tax bracket you would owe federal income tax of $2,800 (28% x ($20,000 - $10,000)).

This is just one possible example. We do not make any prediction of Account values or federal income tax rates.

What About State Taxes? Under current Massachusetts income tax law, your Account earnings grow tax-deferred. Earnings will be subject to Massachusetts income tax when they are withdrawn from the Account. You should consult with your tax adviser about any other state or local taxes.

What Are the Gift Tax Advantages of an Account? Normally, a gift of more than $10,000 to a single person in one year is subject to federal gift tax. With the Plan, you can make a gift of up to $50,000 in one year without triggering the tax. To do this you must elect to treat the entire gift as a

series of five equal annual gifts. Lesser gifts in excess of the $10,000 annual exclusion may also be pro-rated over five years. You do this by filing a gift tax return for the year in which the gift is made.

Can I Use My Account to Pay for the College I Want? Yes. Unlike other programs that offer full benefits only if your child attends a school that participates in the program, with the Plan you get the full benefits from the program if your child attends any accredited institution of higher education in the United States that is eligible to participate in certain Federal student aid programs. This might be a college or graduate school, or a vocational or trade school. You should be certain that the school is accredited. If you use the money to pay for costs associated with a non-accredited institution, you will not qualify for favorable tax treatment, and all of your distributions will be subject to the penalty of 10% of any investment gains distributed.

How Do I Use My Account to Pay for College? When you make a distribution from your Account you tell us whether to send the money to you, to your child's college, or to another person. Under federal income tax law, the earnings portion of any money not used for qualified higher education expenses will be income to the Participant, will be taxed as ordinary income, and will generally be subject to a penalty. With the Plan, the penalty is 10% of any investment gains distributed.

How Do I Show that a Distribution Is for Qualified Higher Education Expenses? You will need to submit appropriate evidence with your distribution instructions, such as a bill from the Beneficiary's college. If you do not provide appropriate proof, the distribution will be deemed a non-qualified distribution, and the penalty will be imposed. Except as provided in the next sentence, you will then have 60 days from the date your withdrawal request was received to submit the necessary proof. If your request is received after the first day of November, you will have only until December 31 of that year to submit proof. If you submit acceptable proof within the required time, the amount of the penalty will be credited back to your Account.

What if I Need the Money Before My Child Goes to College? You can take money from your Account at any time. However, if the money is not used to pay for qualified higher education expenses, a penalty equal to 10% of any investment gains distributed will apply. You will also pay Federal income tax, at your tax rate, on the amount of earnings you withdraw.

Are There Any Exceptions to the Penalty? Yes. If your child receives a scholarship and you don't need all the money in your Account to pay qualified higher education expenses there is no penalty, so long as the scholarship is more than the distribution. There is also no penalty in the event that your child dies or becomes disabled.

What if My Child Delays Going to College? You can keep your Account open until your child goes to college, whenever that may be.

What if My Child Does Not Go to College? You can name another member of the child's family as the new beneficiary of the Account without any negative income tax consequences. This might be the original beneficiary's brother, sister, parent, child, spouse or other family member. However, if the new beneficiary is a member of a younger generation in the family than the original beneficiary, a federal gift tax may apply for the year in which the beneficiary change is made. Under current federal tax law, it is unclear whether the same person can be both the Participant and the Beneficiary, and pending clarification, the Plan does not permit it.

If the new beneficiary is a different age than the original beneficiary, the money in your Account will be transferred to the Portfolio that corresponds to the age of the new beneficiary. If there are already other Accounts open for the benefit of the new beneficiary, you may be limited in how much of your Account can be used for the new beneficiary. See "The Portfolios" on page 6.

How Do I Know How Much My Account is Worth? You can call us toll-free at 1-800-544-2776 at any time. Account balances are updated each day that the New York Stock Exchange is open for business. We will also send you an account statement at least once each quarter with a description of your Account activity and the value of your Account.

How Much Do I Need to Open an Account? If you sign up for automatic periodic transfers from your bank account or by payroll deduction, the minimum monthly amount is only $50 and the minimum quarterly amount is $150. If you open an Account by making a single investment, it must be for at least $1,000.

How Much Can I Invest in An Account? Federal income tax law requires that the Plan place a limit on investments. During 1999 the most you can invest in an Account is $158,750. Although the law does not set a specific dollar amount, each calendar year MEFA will set a maximum amount you can invest, based on the then-current estimated cost of five years' tuition, mandatory fees and room and board at the highest cost eligible educational institution in Massachusetts. The limit will be adjusted each calendar year, and Fidelity will notify you of the new limit each year. The most you can invest each year is the investment limit for that year minus the value of your Account at the end of the previous year. The limit applies whether or not you are a resident of Massachusetts. The Plan reserves the right to change the limit in accordance with its interpretation of the law.

Can I Borrow Money from the Plan? No. The Plan will not make any loans.

Can I Use the Money in My Account as Security for a Loan? No. Federal tax law prohibits pledging, assigning, or otherwise using your Account as collateral for a loan.

How Will an Investment in the Plan Affect Eligibility for Financial Aid? The Trustee believes that under current federal financial aid methodology, the value of the Account will be treated as an asset. The treatment of this asset should be similar to other investments such as savings accounts, money market funds, certificates of deposit, stocks, bonds, commodities and other securities for the purpose of determining a family's expected contribution towards educational costs. At this time, whether an Account will be treated as an asset of the Participant or the Beneficiary for purposes of determining the family's expected contribution has not been resolved. You should consult your financial aid advisor for further information.

What Do I Do if My Child Graduates from College, Does Not Plan on Further Education, and There is Money Left in My Account? You have several choices. You can change the Account so that it is for the benefit of a member of the Beneficiary's immediate family as defined in the federal tax laws. If you do this, there is no penalty.

If you do not change the Beneficiary, you must notify us and distribute the remaining balance in the Account. You will be subject to income taxes, and unless the balance is the result of a scholarship for your child, or your child's death or disability, the penalty of 10% of investment gains distributed will apply.

Can I Transfer My Account to Another Participant? Although you are allowed to rename the Beneficiary of the Account, transfers of the Account to another Participant are not allowed. If you want someone else to have the money, you can distribute the money and give it to them. You will owe federal and state taxes on any investment gains distributed, and you will be charged a penalty equal to 10% of any gains distributed. Your transfer of money to another person may be subject to federal gift tax.

Who Will Control My Account if I Die With Money in My Account? Control of your account will pass through your will. If you do not have a will, control will pass by operation of law. See Federal Estate and Gift Taxes on page 14.

Can the Plan Change the Terms of My Participation Agreement? The Plan can change the terms of the Participation Agreement if the Trustee believes that a change is necessary in order to keep the Plan in compliance with federal tax law and preserve the favorable tax treatment of your Account.

How Safe is My Account? The money in your Account will be held in the Trust, which is a legal trust established under the laws of the Commonwealth of Massachusetts. Assets of the Trust are held "in trust" for the exclusive benefit of Participants and Beneficiaries in the Plan. However, there is no guarantee that your Account will not lose value.

The Trust will be audited each year by an independent public accountant selected by the Trustee. The first audit will be conducted after the fiscal year ending on June 30, 1999.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, NOR WITH ANY STATE SECURITIES COMMISSIONS EXCEPT FOR THE SECURITIES COMMISSION OF OHIO. PROSPECTUSES FOR THE MUTUAL FUNDS HELD BY THE PORTFOLIOS ARE AVAILABLE UPON REQUEST BY CALLING FIDELITY AT 1-800-544-8888.

PART II – MORE ABOUT HOW YOUR MONEY IS INVESTED, THE TRUST, MANAGEMENT AND SERVICE CONTRACTS, AND TAXES

The Portfolios The money in an Account is held in one of the eight current investment portfolios ("Portfolios") of the Trust. Each Portfolio seeks capital appreciation with reasonable safety of principal, consistent with the ages of the Beneficiaries.

Each Portfolio invests its assets in Fidelity Investments mutual funds. The age of the Account's Beneficiary determines the Portfolio in which the Account is invested. Portfolios for the benefit of younger Beneficiaries are more heavily invested in equity mutual funds. Portfolios for the benefit of older Beneficiaries are more heavily invested in bond and money market mutual funds.

College Portfolio is currently designed for Beneficiaries born in 1980 and earlier.

Portfolio 2000 is designed for Beneficiaries born between 1981 and 1983.

Portfolio 2003 is designed for Beneficiaries born between 1984 and 1986.

Portfolio 2006 is designed for Beneficiaries born between 1987 and 1989.

Portfolio 2009 is designed for Beneficiaries born between 1990 and 1992.

Portfolio 2012 is designed for Beneficiaries born between 1993 and 1995.

Portfolio 2015 is designed for Beneficiaries born between 1996 and 1998.

Portfolio 2018 is designed for Beneficiaries born between 1999 and 2001.

Additional Portfolios will be formed for Beneficiaries born after 2001.

If you change the Beneficiary of your Account your money will be placed in the Portfolio that corresponds to the age of the new Beneficiary. If the new Beneficiary is not a member of the family of the previous Beneficiary a change of Beneficiary will be treated for federal income tax purposes as a distribution from the Plan. See "Federal Income Taxation of Investments and Distributions" on page 14.

Since the Plan has limits on how much can be invested on behalf of each Beneficiary in order to comply with federal income tax law, it is possible that you might not be able to use some or all of the money in the Account for the new Beneficiary. If not all the money in the Account can be designated for use by the new Beneficiary, you will be required to open a new account for the new Beneficiary and transfer to the new account the amount that can be used for the new Beneficiary. Any amount that cannot be used for the new Beneficiary will not be transferred.

Each Portfolio with a year in its name invests according to an asset allocation strategy that becomes increasingly conservative over time until the Portfolio's target allocation nearly matches College Portfolio's target allocation. This will happen in the year in which the youngest Beneficiary in that Portfolio will reach age 18. Then, the Portfolio with a year in its name will cease to exist and the assets in the Account will be transferred to College Portfolio and will be invested in College Portfolio for so long as the Account remains open.

Each Portfolio seeks to achieve its investment objective by investing in a combination of Fidelity Investments mutual funds ("Fidelity funds"). The investment adviser for each of the Fidelity funds is Fidelity Management & Research Company ("FMR"). Strategic Advisers, Inc. ("Strategic Advisers") chooses the particular Fidelity funds in which each Portfolio invests. Both FMR and Strategic Advisers are part of the group of companies commonly known as Fidelity Investments.

The performance of each Portfolio depends on the performance of the Fidelity funds in which it invests. The performance of the Fidelity funds, in turn, depends on the performance of the stock, bond, and money markets in the U.S. and abroad. The value of each Portfolio will vary from day to day, reflecting changes in these markets and in the values of the Fidelity funds. When you redeem units of a Portfolio, they may be worth more or less than what you paid for them. Neither the Commonwealth of Massachusetts, MEFA nor anyone else makes any guarantees concerning the assets in an Account or the Account's investment performance.

The Portfolios are designed to provide moderate asset allocation programs for investors saving for the qualified higher education expenses of Beneficiaries. An investment in a Portfolio, however, will not provide an appropriate balanced investment program for all investors. You should evaluate the Portfolios in the context of your overall financial situation, investment goals, and other investments. If you consider yourself an especially aggressive or conservative investor, you may want to save for higher education by making additional investments outside the Plan to achieve the balance that is best for you.

Investment Program Each Portfolio seeks to achieve its investment objective by allocating its assets among Fidelity funds. The Fidelity funds fall into three broad investment categories: equity (stock) funds, fixed-income (bond) funds, and short-term bond and money market funds. There are two subcategories for the equity funds — domestic and international, and two subcategories for the fixed-income funds — investment grade and high yield. For additional information about the Fidelity funds, refer to "Securities and Investment Practices" of the Portfolios beginning on page 11.

The percentage of assets that each Portfolio invests in each of these categories depends on the age of the Beneficiaries assigned to that Portfolio. For example, Portfolio 2018, which is designed for Beneficiaries born between 1999 and 2001, will start with a relatively aggressive target asset allocation, with a substantial investment in equity funds and a modest investment in fixed-income funds. By contrast, Portfolio 2000, which is designed for Beneficiaries born between 1981 and 1983, will start with a relatively conservative target asset allocation, investing less than half of its assets in equity funds and the majority of its assets in fixed-income and short-term bond and money market funds.

The charts that follow illustrate the target asset allocation of each Portfolio as of February 19, 1999. Totals may not equal 100% due to rounding.

Portfolio 2018

(Beneficiaries born between 1999 and 2001)

Portfolio 2015

(Beneficiaries born between 1996 and 1998)

Portfolio 2012

(Beneficiaries born between 1993 and 1995)

Portfolio 2009

(Beneficiaries born between 1990 and 1992)

Portfolio 2006

(Beneficiaries born between 1987 and 1989)

Portfolio 2003

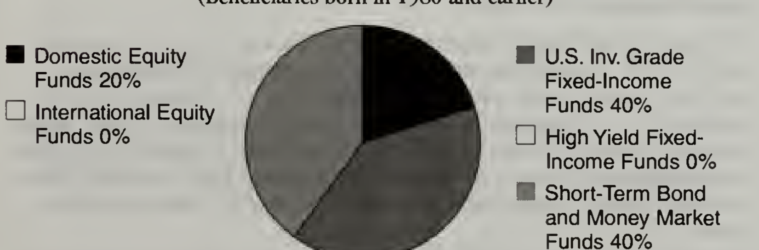
(Beneficiaries born between 1984 and 1986)

Portfolio 2000

(Beneficiaries born between 1981 and 1983)

College Portfolio

(Beneficiaries born in 1980 and earlier)



Expenses The value of an Account will be reduced by certain expenses. They may be grouped into two categories. First, there are fees payable under the Participation Agreement between the Participant and the Trust. The fees imposed under the Participation Agreement are subject to change if the Trustee determines that such change is necessary to pay the Trust's operating expenses. Second, there are expenses associated with each Portfolio's investments in the Fidelity funds.

There are two fees payable under the Participation Agreement. One fee is a daily charge against the assets of the Portfolio. This fee is currently at an annual rate of 0.30% of the Portfolio's net assets. If your Account were worth exactly $10,000 on each day of a year, this charge would be equal to $30 for that year. The effect of this charge is to reduce the daily unit value of each Portfolio. Half of the 0.30% fee is retained by the Trustee; the other half is paid to Strategic Advisers for its services in allocating the Portfolios' assets among the Fidelity funds.

The other fee under the Participation Agreement is an annual Account fee that is currently $30, assessed on each anniversary of the date the Account was opened. The $30 annual Account fee is waived and not imposed for any year in which: (i) the Account or a Related Account (defined below) is subject to an election by the Participant to make automatic monthly or quarterly additional investments by electronic funds transfers during the entirety of such year (an "Account Builder Election"); or (ii) the total asset value of the Account and any Related Accounts equals or exceeds $25,000. For purposes of this provision, the term "Related Account" means any Account that is established for the same Beneficiary. The Trust pays Strategic Advisers an amount equal to the total of the annual account fees collected by the Trust. In no event will more than one Account for a given Beneficiary be subject to the annual Account fee.

Each Portfolio will also indirectly bear its pro rata share of the fees and expenses incurred by the Fidelity funds in which it invests. Each Portfolio's investment return will be net of the Fidelity fund expenses. The following chart provides the total operating expense ratios for the Fidelity funds. The following figures are based on historical expenses for each Fidelity fund's most recently reported fiscal year end and are calculated as a percentage of average net assets of each Fidelity fund. Where appropriate, expense ratios are adjusted to reflect current fees.

Fidelity Fund	Expense Ratio
Fidelity Blue Chip Growth Fund	0.72%
Fidelity Capital & Income Fund	0.81%
Fidelity Daily Income Trust	0.50%
Fidelity Disciplined Equity Fund	0.67%
Fidelity Diversified International Fund	1.22%
Fidelity Dividend Growth Fund	0.89%
Fidelity Equity-Income II Fund	0.69%
Fidelity Fund	0.58%
Fidelity Government Income Fund	0.69%
Fidelity Growth & Income Portfolio	0.69%
Fidelity Intermediate Bond Fund	0.66%
Fidelity Investment Grade Bond Fund	0.70%
Fidelity Short-Term Bond Fund	0.67%
Fidelity OTC Portfolio	0.76%
Fidelity Overseas Fund	1.26%
Spartan Market Index Fund	0.19%

Each Portfolio's total expense ratio will be based on its total operating expense ratio plus a weighted average of the expense ratios of the Fidelity funds in which it invests. These total expense ratios may be higher or lower depending on the allocation of a Portfolio's assets among the Fidelity funds, and the actual expenses of the Fidelity funds.

The Trust has operating expenses, including, but not limited to, the Trustee's compensation and such expenses and charges for the services of the Trust's investment adviser, administrator, distributor, auditor, counsel, depository, custodian, accounting and servicing agent and such other agents, consultants and independent contractors and such other expenses and charges as the Trustee may deem necessary or proper to incur. Some of these expenses are borne by FBSI, others are borne by the Trustee. These expenses do not reduce the daily unit value of each Portfolio. See "Additional Information Concerning Pricing, Purchase and Redemption of Units" on page 8.

Investment Performance The performance of each Portfolio will be measured as total return and/or yield. Each Portfolio's fiscal year runs from July 1 to June 30.

Total return is the change in value of an investment over a given period. A **cumulative total return** reflects actual performance over a stated period of time. An **average annual total return** is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total returns smooth out variations in performance; they are not the same as actual year-by-year

results. Average annual total returns covering periods of less than one year assume that performance will remain constant for the rest of the year.

Yield refers to the income generated by an investment over a given period of time, expressed as an annual percentage rate. Yields are calculated according to a formula that is required for all stock and bond mutual funds.

Historical performance for each Fidelity fund appears below. Once each year you will be sent a detailed financial report showing the Portfolios' recent asset allocations, performance, and holdings. For current performance or a free annual report call 1-800-544-2776.

The table below shows the Fidelity funds in which the Portfolios invest and the funds' total returns for 1 year, 3 year, 5 year, and 10 year (or life of fund, as applicable) periods. Performance numbers are shown as load adjusted, average annual total returns as of December 31, 1998. Any Fidelity fund sales loads are waived for each Portfolio's investments in the funds. Prospectuses for these funds are available upon request.

An asterisk (*) next to a fund's performance means that the fund has been in existence for less than ten years. For these funds, the date of inception is shown in the appropriate box, and the performance figure in that box is for the life of the fund, not for ten years.

Total returns and yields are based on past results and are not an indication of future performance.
Returns as of 12-31-98

Domestic Equity Funds	1 year	3 year	5 year	10 year*	Fiscal Year End
Fidelity Blue Chip Growth Fund**	30.72%	24.20%	21.99%	22.80%	July 31
Fidelity Disciplined Equity Fund	21.83%	23.19%	19.96%	19.42%	October 31
Fidelity Dividend Growth Fund	35.85%	31.26%	26.53%	27.33%*	July 31
Fidelity Equity-Income II Fund	22.98%	22.91%	19.34%	21.92%*	November 30
Fidelity Fund	31.00%	27.51%	23.08%	18.59%	June 30
Fidelity Growth & Income Portfolio	28.31%	26.09%	22.65%	20.28%	July 31
Fidelity OTC Portfolio**	36.17%	22.80%	20.02%	19.11%	July 31
Spartan Market Index Fund	28.48%	27.96%	23.73%	18.55%*	April 30
International Equity Funds					
Fidelity Diversified International Fund	14.39%	16.01%	13.24%	11.94%*	October 31
Fidelity Overseas Fund	12.84%	12.28%	9.35%	8.68%	October 31
Investment Grade Fixed Income Funds					
Fidelity Investment Grade Bond Fund	7.94%	6.59%	5.77%	9.04%	April 30
Fidelity Government Income Fund	8.59%	6.49%	6.21%	8.89%	July 31
Fidelity Intermediate Bond Fund	7.32%	6.17%	5.75%	8.02%	April 30
High Yield Fixed-Income Fund					
Fidelity Capital & Income Fund	4.77%	10.22%	8.32%	11.16%	April 30
Short-Term Bond and Money Market Funds					
Fidelity Short-Term Bond Fund	6.15%	5.71%	4.47%	6.87%	April 30
Fidelity Daily Income Trust	5.22%	5.20%	5.03%	5.40%	August 31

*Denotes average annual return for life of fund. Fund in existence less than 10 years.

**Indicates load adjusted

The performance data relating to the Fidelity funds set forth above is not indicative of the future performance of either the underlying Fidelity funds or the Portfolios. The performance of Blue Chip Growth Fund and OTC Portfolio includes the effect of sales loads that were discontinued during 1998.

Additional Information Concerning Pricing, Purchase and Redemption of Units Each Portfolio is open for business and its unit value is calculated each day the New York Stock Exchange (NYSE) is open for trading. The NYSE has designated the following holiday closings for 1999: New Year's Day, Martin Luther King's Birthday, Presidents' Day, Good Friday, Memorial Day, Independence Day (observed), Labor Day, Thanksgiving Day, and Christmas Day (observed). Although Strategic Advisers expects the same holiday schedule to be observed in the future, the NYSE may modify its holiday schedule at any time. In addition, each Portfolio will be closed for wire purchases and redemptions on days when the Federal Reserve Wire System is closed.

FBSI normally determines each Portfolio's unit value as of the close of the NYSE (normally 4:00 p.m. Eastern time). However, unit values may be calculated earlier if trading on the NYSE is restricted. To the extent that securities held by a Fidelity fund are traded in other markets on days when the NYSE is closed, a Portfolio's unit value may be affected on days when investors do not have access to the Portfolio to purchase or redeem units. In addition, trading in some of a Fidelity fund's portfolio securities may not occur on days when the Trust is open for business.

You purchase and redeem units at the unit value next computed following receipt of your payment at the Fidelity Investments College Plan Service Center, P.O. Box 770001, Cincinnati, OH 45277-0015.

More About the Trust

DECLARATION OF TRUST

Establishment of the Trust

The Trust, with the Executive Director of MEFA as the sole trustee, is a trust established by MEFA as an instrumentality of the Commonwealth of Massachusetts to carry out, promote and operate the Plan so that a person or persons may make investments in accounts established for the purpose of meeting the qualified higher education expenses of the designated beneficiaries of such accounts. Each Portfolio is a segregated asset account of the Trust. Peter Mazareas, Ph.D. is currently MEFA's Executive Director. Any successor will become Trustee of the Trust by operation of law.

Exemptions from Registration Under Federal and State Securities Laws

Units of the Portfolios are not registered as securities under the Securities Act of 1933, pursuant to an exemption from registration available for obligations issued by a public instrumentality of a state. Similarly, units of the Portfolios have not been registered with the securities commissions of any state except Ohio, pursuant to applicable exemptions from registration available for obligations issued by an instrumentality of a state.

The Portfolios have not been registered as investment companies under the Investment Company Act of 1940 (the "1940 Act") pursuant to Section 2(b) thereof, which says that no provision of the 1940 Act applies to any instrumentality of a state.

Necessity of Qualification Under Internal Revenue Code

The Trust intends to qualify as a qualified state tuition program under Section 529 of the Internal Revenue Code. If the Trust fails to attain or retain such qualification, the Trustee shall promptly either amend the Trust so that it does qualify, or shall terminate the Trust, and distribute all the assets of the Trust to the Participants, and the Trust shall be considered to be rescinded and of no force and effect, provided that the Trustee in his sole discretion may elect not to terminate the Trust if the Trustee determines that such termination is not in the best interests of the Participants of the Trust.

Participants and Beneficiaries have no say in the management or operation of the Trust, including the selection of investments.

Supervision of the Trustee

The Trustee is supervised by MEFA's Board of Directors. The Board has nine members. Seven members are appointed by the Governor of Massachusetts. The other two members are (i) the designee of the Commonwealth's Secretary of Administration and Finance and (ii) the designee of the Secretary for Economic Affairs of the Commonwealth.

Auditor for the Trust and the Portfolios

Each year the Trust and the Portfolios will be audited by an independent public accountant selected by the Trustee. The auditor examines financial statements for the funds and provides other audit, tax, and related services. The first audit will be conducted after the fiscal year ending on June 30, 1999.

Strategic Advisers and Its Affiliates

Fidelity Investments is one of the largest investment management organizations in the United States and has its principal business address at 82 Devonshire Street, Boston, Massachusetts 02109. It includes a number of different subsidiaries and divisions which provide a variety of financial services and products. Various Fidelity companies perform activities required for the operation of the Trust.

The Portfolios are managed by Strategic Advisers, which administers the asset allocation program for each Portfolio. Strategic Advisers has its principal address at 82 Devonshire Street, Boston, Massachusetts 02109.

Strategic Advisers has six separate business units and also markets a financial software product. Five of these units provide discretionary investment services to specific types of investors. The sixth unit is responsible for managing the Fidelity Freedom Funds and the Trust. Four of the five Fidelity Freedom Funds are designed for long-term investors seeking capital appreciation with reasonable safety of principal through a single investment with an asset allocation strategy that becomes increasingly conservative over time, and are thus somewhat similar to the Portfolios with a year in their names. The fifth Fidelity Freedom Fund is somewhat similar to College Portfolio in that each has a relatively stable asset allocation. Strategic Advisers has no previous experience managing mutual funds, other than the Fidelity Freedom Funds.

FMR is each underlying Fidelity fund's manager. As the manager, FMR is responsible for choosing investments for each Fidelity fund (except Spartan Market Index Fund) and handling each Fidelity fund's business affairs. Bankers Trust Company, (BT) a wholly-owned subsidiary of Bankers Trust Corporation, serves as sub-adviser and custodian for Spartan Market Index Fund and chooses the fund's investments. Fidelity Investments Money Management, Inc., as affiliate of FMR, serves as sub-adviser and is primarily responsible for choosing investments for Fidelity Daily Income Trust, Fidelity Government Income Fund, Fidelity Intermediate Bond Fund, Fidelity Investment Grade Bond Fund, and Fidelity Short-Term Bond Fund. Affiliates assist FMR with foreign investments for each Fidelity fund in which the Portfolios may invest, except Fidelity Government Income Fund, Fidelity Daily Income Trust, and Spartan Market Index Fund.

Ren Cheng is the current manager of the Portfolios, which he has managed since inception. He is also co-manager of the Fidelity Freedom Funds, which he has also managed since inception. He is also manager of structured investments for Fidelity Management Trust Company, which he has managed since 1994. Mr. Cheng joined Fidelity as a manager in 1994. Previously, he was a senior portfolio manager for Putnam Investments from 1985 to 1994.

Investment Principles and Risks

Each Portfolio seeks to achieve its investment objective by investing in a combination of Fidelity funds: domestic and international equity funds; investment grade and high yield fixed-income funds; and short-term bond and money market funds. The primary difference among the Portfolios is their asset allocations among these types of funds.

Each Portfolio seeks capital appreciation with reasonable safety of principal, consistent with the ages of the Beneficiaries. Except for College Portfolio, Strategic Advisers allocates each Portfolio's assets among Fidelity funds according to an asset allocation strategy that becomes increasingly conservative over time. When a Portfolio's asset allocation target nearly matches College Portfolio's target, the Portfolio will be combined with College Portfolio. College Portfolio's asset allocation is expected to remain stable.

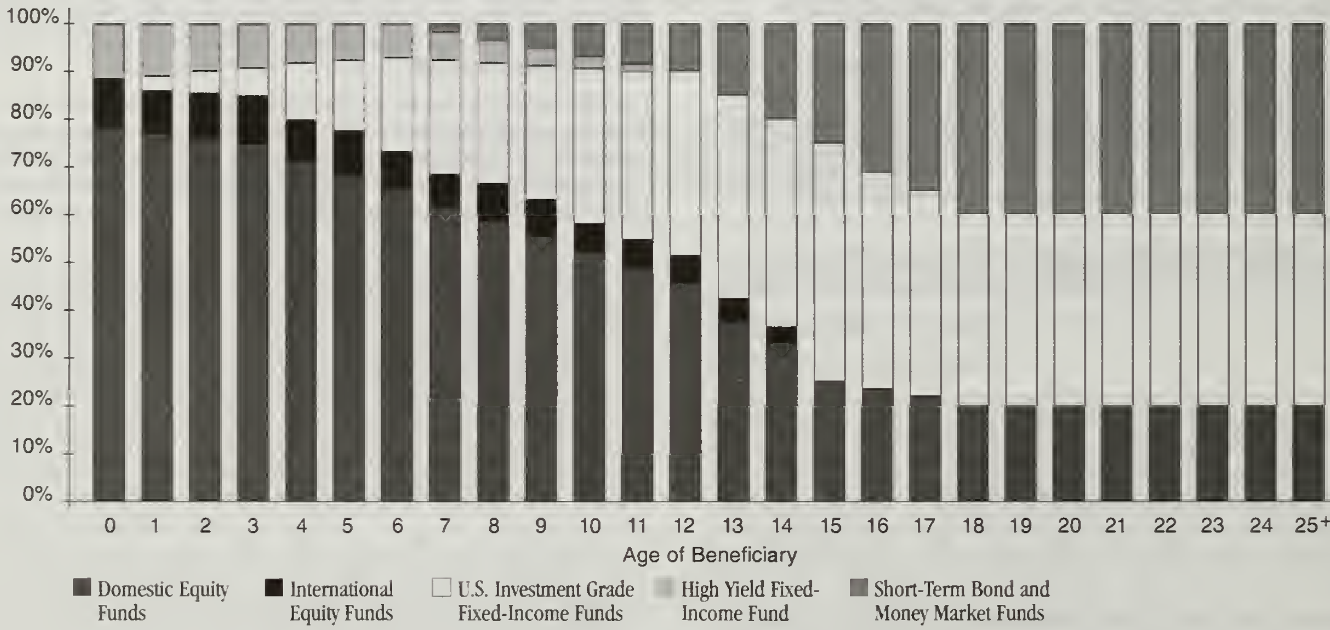
The target asset allocation strategy for each Portfolio is designed to provide an approach to asset allocation that is neither overly aggressive nor overly conservative. In general, Strategic Advisers intends to manage each Portfolio according to its target asset allocation strategy, and does not intend to trade actively among Fidelity funds or attempt to capture short-term market opportunities. However, the Trustee reserves the right to modify the target asset allocation strategy for any Portfolio and to modify the selection of Fidelity funds for any Portfolio from time to time.

The ability of each Portfolio to meet its investment objective is directly related to its target asset allocation among Fidelity funds and the ability of those funds to meet their investment objectives. Although the Fidelity funds are categorized generally as equity (domestic or international), fixed-income (investment grade or high yield), and short-term bond and money market funds, many of the Fidelity funds may invest in a mix of foreign and domestic stocks, investment grade and high yield bonds, and other securities.

The table that follows lists the Fidelity funds in which each currently existing Portfolio currently may invest and the approximate target asset allocation of each Portfolio to each Fidelity fund as of February 19, 1999. The Trustee and Strategic Advisers may change these percentages over time. For a brief description of each Fidelity fund, refer to "Descriptions of Fidelity Funds," beginning on page 11.

Fund Categories	Portfolio 2018	Portfolio 2015	Portfolio 2012	Portfolio 2009	Portfolio 2006	Portfolio 2003	Portfolio 2000	College Portfolio
EQUITY FUNDS								
Domestic Equity Funds								
Fidelity Blue Chip Growth Fund	10.53%	10.46%	9.90%	8.55%	7.20%	5.62%	3.26%	2.70%
Fidelity Disciplined Equity Fund	10.53%	10.46%	9.90%	8.55%	7.20%	5.62%	3.26%	2.70%
Fidelity Dividend Growth Fund	10.53%	10.46%	9.90%	8.55%	7.20%	5.62%	3.26%	2.70%
Fidelity Equity-Income II Fund	10.53%	10.46%	9.90%	8.55%	7.20%	5.62%	3.26%	2.70%
Fidelity Fund	10.53%	10.46%	9.90%	8.55%	7.20%	5.62%	3.26%	2.70%
Fidelity Growth & Income Portfolio	10.53%	10.46%	9.90%	8.55%	7.20%	5.62%	3.26%	2.70%
Fidelity OTC Portfolio	7.02%	6.97%	6.60%	5.70%	4.80%	3.75%	2.17%	1.80%
Spartan Market Index Fund	7.80%	7.75%	7.33%	6.33%	5.33%	4.16%	2.42%	2.00%
International Equity Funds								
Fidelity Diversified International Fund	5.00%	5.00%	4.83%	4.00%	3.75%	2.45%	0.00%	0.00%
Fidelity Overseas Fund	5.00%	5.00%	4.83%	4.00%	3.75%	2.45%	0.00%	0.00%
FIXED-INCOME FUNDS								
U.S. Investment Grade Fixed-Income Funds								
Fidelity Investment Grade Bond Fund	0.00%	0.32%	2.84%	8.04%	11.31%	15.43%	18.20%	15.07%
Fidelity Government Income Fund	0.00%	0.32%	2.84%	8.04%	11.31%	15.43%	18.20%	15.07%
Fidelity Intermediate Bond Fund	0.00%	0.21%	1.85%	5.26%	7.40%	10.09%	11.90%	9.86%
High Yield Fixed-Income Fund								
Fidelity Capital & Income Fund	12.00%	11.66%	9.49%	6.66%	4.16%	0.00%	0.00%	0.00%
SHORT-TERM BOND AND MONEY MARKET FUNDS								
Fidelity Short-Term Bond Fund	0.00%	0.00%	0.00%	0.34%	2.51%	6.26%	13.76%	20.00%
Fidelity Daily Income Trust	0.00%	0.00%	0.00%	0.34%	2.51%	6.26%	13.76%	20.00%

The following chart illustrates the approximate target asset allocations among equity, fixed-income, and short-term bond and money market funds, depending on the Beneficiary's age. The Portfolios' future target asset allocations may differ from this illustration.



Other Investments Each Portfolio may also invest in repurchase agreements in order to earn an investment return on any cash it may hold. In a repurchase agreement, a Portfolio buys a security at one price and simultaneously agrees to sell it back at a higher price. Delays or losses could result if the other party to the agreement defaults or becomes insolvent.

It is expected that the Portfolios will hold only a very small amount of cash at any time. A Portfolio might hold cash because investments by Participants reach it at times when it is not possible to invest in the Fidelity funds immediately, or because a Portfolio's transfer agent and a Fidelity fund's transfer agent have slightly different records of the number of shares that the Portfolio holds in the fund.

Conversely, a Portfolio may need to borrow a small amount of money from time to time in order to pay for shares of the Fidelity funds or to pay other expenses. Each Portfolio may borrow from banks. If a Portfolio borrows money, its unit price may be subject to greater fluctuation until the borrowing is paid off.

Securities and Investment Practices The following pages contain more detailed information about each Fidelity fund in which a Portfolio may invest. Except for small investments in repurchase agreements, the Portfolios will not make any investments except in the Fidelity funds. Participants and Beneficiaries have no voting rights with respect to shares of the Fidelity funds held by the Portfolios. All voting decisions with respect to the Fidelity funds will be made by the Trustee.

Descriptions of Fidelity Funds The following descriptions summarize the investment policies of the Fidelity funds in which a Portfolio may invest. For more information about any Fidelity fund, call Fidelity at 1-800-544-8888.

EQUITY FUNDS

Domestic Equity Funds

Blue Chip Growth Fund seeks growth of capital over the long term by investing primarily in a diversified portfolio of common stocks of well-known and established companies. FMR normally invests at least 65% of the fund's total assets in the common stock of blue chip companies. FMR defines blue chip companies to include those with a market capitalization of at least $200 million, if the company's stock is included in the S&P 500® or the Dow Jones Industrial Average, or $1 billion if not included in either index.

Blue chip companies typically have a large number of publicly held shares and a high trading volume, resulting in a high degree of liquidity. These tend to be quality companies with strong management organizations. Companies that demonstrate the potential to become blue chip companies in the future may also be selected by FMR for the fund's investments.

When choosing the fund's domestic or foreign investments, FMR seeks companies that it expects will demonstrate greater long-term earnings growth than the average company included in the S&P 500. This method of selecting stocks is based on the belief that growth in a company's earnings will eventually translate into growth in the price of its stock. FMR looks at strong market sectors and then identifies those companies that offer the most attractive values based on earnings prospects. The fund's sector emphasis may shift based on changes in the sectors' earnings outlook.

Disciplined Equity Fund seeks capital growth. FMR normally invests at least 65% of the fund's total assets in common stocks.

FMR seeks to reduce the impact of the industry weightings on the performance of the fund by considering each industry's weighting in the S&P 500 when allocating the fund's investments across industries.

FMR may invest the fund's assets in securities of foreign issuers in addition to securities of domestic issuers.

In buying and selling securities, FMR uses a disciplined approach that involves computer-aided, quantitative analysis supported by fundamental analysis. FMR's computer model systematically reviews thousands of stocks, using data such as historical earnings, dividend yield, earnings per share, and other quantitative factors. Then, the issuers of potential investments are analyzed further using fundamental factors such as growth potential, earnings estimates and financial condition.

Dividend Growth Fund seeks capital appreciation by investing primarily in companies that FMR believes have the potential for dividend growth by either increasing their dividends or commencing dividends, if none are currently paid. FMR normally invests at least 65% of the fund's total assets in equity securities of these companies.

The fund's strategy is based on the premise that dividends are an indication of a company's financial health and companies that are commencing or increasing their dividends have an enhanced potential for capital growth. Although the fund uses income to evaluate its investments, it is important to recognize that the fund does not invest for income.

Equity-Income II Fund seeks reasonable income. The fund will also consider the potential for capital appreciation. The fund looks for a yield that exceeds the composite yield on the securities comprising the S&P 500.

FMR normally invests at least 65% of the fund's total assets in income-producing equity securities. FMR may also invest the fund's assets in other types of equity securities and debt securities, including lower-quality debt securities.

FMR may invest the fund's assets in securities of foreign issuers in addition to securities of domestic issuers.

FMR's emphasis on above-average income-producing equity securities tends to lead to investments in stocks that have more "value" characteristics than "growth" characteristics. However, FMR is not constrained by any particular investment style. In buying and selling securities for the fund, FMR relies on fundamental analysis of each issuer and its potential for success in light of its current financial condition, its industry position, and economic and market conditions. Factors considered include growth potential, earnings estimates and management.

Fidelity Fund seeks long-term capital growth by investing mainly in common stocks and securities convertible into common stocks. In pursuit of a current return, the fund invests in some securities for their income characteristics. This two-fold approach, which may limit the fund's growth potential, leads to investments in a broad range of domestic and foreign equity and debt securities.

Growth & Income Portfolio seeks high total return through a combination of current income and capital appreciation by investing mainly in equity securities. FMR expects to invest the majority of the fund's assets in domestic and foreign equity securities, with a focus on those that pay current dividends and show potential earnings growth. However, FMR may buy debt securities as well as equity securities that are not currently paying dividends, but offer prospects for capital appreciation or future income.

OTC Portfolio seeks capital appreciation by investing primarily in securities traded on the over-the-counter (OTC) market. FMR normally invests at least 65% of the fund's total assets in securities principally traded on the OTC market. The fund focuses on common stock but may invest in securities of all types.

In the OTC market, securities are traded through a telephone or computer network that connects securities dealers. A security that trades solely on the OTC market is not traded on the floor of an organized exchange. Securities that begin to trade principally on an exchange after purchase continue to be considered OTC securities for the purposes of the 65% policy.

The fund does not place any emphasis on income, except when FMR believes income will have a favorable influence on the security's market value.

Spartan Market Index Fund seeks to provide investment results that correspond to the total return of a broad range of common stocks publicly traded in the United States.

To achieve this objective, the fund attempts to duplicate the composition and total return of the S&P 500. The S&P 500 is made up of 500 common stocks, most of which trade on the New York Stock Exchange (NYSE). Standard & Poor's (S&P) is neither an affiliate nor a sponsor of the fund, and inclusion of a stock in the index does not imply that it is a good investment. The S&P 500 is a widely recognized, unmanaged index of common stock prices. It is generally acknowledged that the S&P 500 broadly represents the performance of publicly traded common stocks in the United States. Total returns for the S&P 500 assume reinvestment of dividends but do not include the effect of brokerage commissions or other fees.

BT normally seeks to invest at least 80% of the fund's assets in equity securities of companies that compose the S&P 500.

The fund may not always hold all of the same securities as the S&P 500. BT may choose, if extraordinary circumstances warrant, to exclude an index stock from the fund and substitute a similar stock if doing so will help the fund achieve its objective.

The fund may not track the S&P 500 perfectly. Differences between the S&P 500 and the fund's portfolio may cause differences in performance. Even if the fund's investments match the S&P 500 exactly, its returns could differ on a day-to-day basis because of differences in how the fund and the S&P 500 are valued. The fund normally values all of its investments at 4:00 p.m. Eastern time. The S&P 500 is valued by its sponsor, who may use different closing prices than the fund does. In addition, the fund's ability to replicate the S&P 500's returns will depend to some extent on transaction costs and the size and frequency of cash flows into and out of the fund.

The fund seeks to achieve a 98% or better correlation between its total return and the total return of the S&P 500. FMR monitors correlation between the performance

of the fund and that of the S&P 500 on a monthly basis. Correlation is measured by comparing the fund's monthly total returns to those of the S&P 500 over the most recent 36-month period. In the unlikely event that the fund cannot achieve a correlation of 98% or better, the trustees will consider alternative arrangements.

International Equity Funds

Diversified International Fund seeks capital growth. FMR normally invests at least 65 % of the fund's total assets in foreign securities. FMR normally invests the fund's assets primarily in common stocks.

FMR normally diversifies the fund's investments across different countries and regions. In allocating the fund's investments across countries and regions, FMR will consider the size of the market in each country and region relative to the size of the international market as a whole.

In buying and selling securities, FMR uses a disciplined approach that involves computer-aided, quantitative analysis supported by fundamental analysis. FMR's computer model systematically reviews thousands of stocks, using data such as historical earnings, dividend yield, earnings per share, and other quantitative factors. Then, the issuers of potential investments are analyzed further using fundamental factors such as growth potential, earnings estimates and financial condition.

FMR may lend the fund's securities to broker-dealers or other institutions to earn income for the fund.

Overseas Fund seeks long-term growth of capital. FMR normally invests at least 65% of the fund's total assets in foreign securities. FMR normally invests the fund's assets primarily in common stocks.

FMR normally diversifies the fund's investments across different countries and regions. In allocating the fund's investments across countries and regions, FMR will consider the size of the market in each country and region relative to the size of the international market as a whole.

In buying and selling securities for the fund, FMR relies on fundamental analysis of each issuer and its potential for success in light of its current financial condition, its industry position, and economic and market conditions. Factors considered include growth potential, earnings estimates and management.

FMR may lend the fund's securities to broker-dealers or other institutions to earn income for the fund.

FIXED-INCOME FUNDS

Investment Grade Fixed-Income Funds

Investment Grade Bond Fund seeks high current income, consistent with reasonable risk, by investing in U.S. dollar-denominated investment-grade debt securities under normal conditions. The fund also considers capital preservation and, where appropriate, takes advantage of opportunities to realize capital appreciation. The benchmark index for the fund is the Lehman Brothers Aggregate Bond Index, a market value weighted benchmark of investment-grade fixed-rate debt issues with maturities of one year or more. FMR manages the fund to have similar overall interest rate risk to the index. As of December 31, 1998, the dollar-weighted average maturity of the fund and the index was approximately 8.2 and 8.6 years, respectively.

In determining a security's maturity for purposes of calculating the fund's average maturity, an estimate of the average time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity.

Government Income Fund seeks high current income, consistent with preservation of principal, by investing in U.S. Government securities and instruments related to U.S. Government securities under normal conditions. The benchmark index for the fund is the Lehman Brothers Government Bond Index, a market value weighted benchmark of U.S. Government and government agency securities (other than mortgage securities) with maturities of one year or more. FMR manages the fund to have similar overall interest rate risk to the index. As of December 31, 1998, the dollar-weighted average maturity of the fund and the index was approximately 8.9 and 9.1 years, respectively.

In determining a security's maturity for purposes of calculating the fund's average maturity, an estimate of the average time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity.

The fund normally invests only in U.S. Government securities, repurchase agreements and other instruments related to U.S. Government securities. FMR normally invests at least 65% of the fund's total assets in U.S. Government securities and repurchase agreements for U.S. Government securities. Other instruments may include futures or options on U.S. Government securities or interests in U.S. Government securities that have been repackaged by dealers or other third parties.

It is important to note that neither the fund's share price nor its yield is guaranteed by the U.S. Government.

Intermediate Bond Fund seeks high current income by investing in U.S. dollar-denominated investment-grade debt securities under normal conditions. The benchmark index for the fund is the Lehman Brothers Intermediate Government/Corporate Bond Index, a market value weighted benchmark of government and investment-grade corporate fixed-rate debt issues with maturities between one and 10 years. FMR manages the fund to have similar overall interest rate risk to the index. As of December 31, 1998, the dollar-weighted average maturity of the fund and the index was approximately 5.3 and 4.4 years, respectively. In addition, the fund normally maintains a dollar-weighted average maturity between three and 10 years.

In determining a security's maturity for purposes of calculating a fund's average maturity, an estimate of the average time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity.

High Yield Fixed-Income Fund

Capital & Income Fund seeks income and capital growth by investing primarily in debt instruments, convertible securities, and common and preferred stocks. The fund has broad flexibility to pursue its goal by investing in instruments of any type or quality, but FMR expects to invest the majority of the fund's assets in debt instruments and convertible securities, with particular emphasis on lower-quality securities. Many of these securities present the risk of default or may be in default. The fund may also invest in futures contracts and other derivatives to adjust its investment exposure.

In pursuit of its goal, the fund may invest in the equity and debt securities of domestic and foreign companies whose financial condition is perceived to be troubled or uncertain. These companies may be involved in bankruptcy proceedings, reorganizations, or financial restructurings. These investments may be considered speculative and may present substantial potential for loss as well as gain. As a result, the fund's share price may be particularly volatile.

The fund's success depends on FMR's financial analysis and research, and its ability to identify undervalued investments in the market. FMR's analysis focuses on a company's relative values and its potential for success in light of its current financial situation, its industry position, economic conditions, and interest rate trends. FMR also evaluates the probable outcome of any pending restructurings and any legal or regulatory risks. Because of the fund's investment strategy, its performance is especially affected by individual company news.

SHORT-TERM BOND AND MONEY MARKET FUNDS

Short-Term Bond Fund seeks high current income, consistent with preservation of capital, by investing in U.S. dollar-denominated investment-grade debt securities under normal conditions. The benchmark index for the fund is the Lehman Brothers 1–3 Year Government/Corporate Bond Index, a market value weighted benchmark of government and investment-grade corporate fixed-rate debt issues with maturities between one and three years. FMR manages the fund to have similar overall interest rate risk to the index. As of December 31, 1998, the dollar-weighted average maturity of the fund and the index was approximately 2.4 and 1.9 years, respectively. In addition, the fund normally maintains a dollar-weighted average maturity of three years or less.

In determining a security's maturity for purposes of calculating the fund's average maturity, an estimate of the average time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity.

Fidelity Daily Income Trust seeks to earn a high level of current income while maintaining a stable $1.00 share price by investing in high-quality, short-term securities. The fund invests only in high-quality U.S. dollar-denominated money market securities of domestic issuers, including U.S. Government securities and repurchase agreements. The fund also may enter into reverse repurchase agreements.

The fund complies with industry-standard requirements for the quality, maturity, and diversification of its investments, which are designed to help maintain a stable $1.00 share price. Of course, there is no guarantee that the fund will maintain a stable $1.00 share price. While the fund will be charged premiums by a mutual insurance company for coverage of specified types of losses related to default or bankruptcy on certain securities, the fund may incur losses regardless of the insurance. The fund will purchase only high-quality securities that FMR believes present minimal credit risks and will observe maturity restrictions on securities it buys. In general, securities with longer maturities are more vulnerable to price changes, although they may provide higher yields. It is possible that a major change in interest rates or a default on the fund's investments could cause its share price (and the value of your investment) to change.

The fund earns income at current money market rates. It stresses preservation of capital, liquidity and income and does not seek the higher yields or capital appreciation that more aggressive investments may provide. The fund's yield will vary from day to day and generally reflects current short-term interest rates and other market conditions.

Additional Risk Considerations of the Fidelity Funds

The value of an underlying Fidelity fund's investments varies in response to many factors.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Securities of smaller companies, especially those whose business involves emerging products or concepts, may be more volatile due to their limited product lines, markets, or financial resources; or their susceptibility to major setbacks or downturns. Bond values fluctuate based on changes in interest rates and market conditions, and in response to other economic, political or financial events, and on the bonds' quality and maturity. In general, bond prices rise when interest rates fall, and fall when interest rates rise. Longer-term bonds and zero coupon bonds are generally more sensitive to interest rate changes.

Lower-quality debt securities (sometimes called "junk bonds") are considered to have speculative characteristics, and involve greater risk of default or price changes due to changes in the issuer's creditworthiness, or they may already be in default. The market prices of these securities may fluctuate more than higher-quality securities and may decline significantly in periods of general or regional economic difficulty. Lower-quality securities may be thinly traded, making them difficult to sell promptly at an acceptable price. Adverse publicity and changing investor perceptions may affect the ability to obtain prices for, or to sell, these securities.

Investments in foreign securities may involve risks in addition to those of U.S. investments, including increased political and economic risk, as well as exposure to currency fluctuations.

Fidelity funds with an international focus have increased economic and political risks as they are exposed to events and factors in the various world markets. These risks may be greater for funds that invest in emerging markets. The extent of economic development; political stability; market depth, infrastructure and capitalization; and regulatory oversight in emerging markets is generally less than in more developed markets. Emerging market economies may be subject to greater social, economic, regulatory and political uncertainties. All of these factors generally make emerging market securities more volatile and potentially less liquid than securities issued in more developed markets.

Also, to the extent that a Fidelity funds' investments are denominated in foreign currencies, changes in the value of currencies can significantly affect a fund's share price. Furthermore, to the extent that a Fidelity fund focuses its investments in a particular country or group of countries, its performance is expected to be closely tied to economic and political conditions within its focal area and more volatile than more geographically diversified funds.

A Fidelity fund can use a variety of techniques to increase or decrease the fund's exposure to changing security prices, interest rates, currency exchange rates, commodity prices, or other factors that affect security values. These techniques may involve derivative transactions such as buying and selling options and futures contracts, entering into currency exchange contracts or swap agreements, purchasing indexed securities, and selling securities short. There is no guarantee that these strategies will work as FMR intends.

Bond Funds in General. The yield and share price of a bond fund change daily based on changes in interest rates and market conditions, and in response to other economic, political, or financial events. The types and maturities of the securities a bond fund purchases and the credit quality of their issuers will impact a bond fund's reaction to these events.

The total return from a bond includes both income and price gains or losses. While income is the most important component of bond returns over time, a bond fund's emphasis on income does not mean the fund invests only in the highest-yielding bonds available, or that it can avoid losses of principal.

<u>Interest Rate Risk.</u> In general, bond prices rise when interest rates fall and fall when interest rates rise. Longer-term bonds are usually more sensitive to interest rate changes. In other words, the longer the maturity of a bond, the greater the impact a change in interest rates is likely to have on the bond's price. In addition, short-term interest rates and long-term interest rates do not necessarily move in the same amount or in the same direction. A short-term bond tends to react to changes in short-term interest rates and a long-term bond tends to react to changes in long-term interest rates.

<u>Issuer Risk.</u> The price of a bond is affected by the credit quality of its issuer. Changes in the financial condition of an issuer, changes in general economic conditions, and changes in specific economic conditions that affect a particular type of issuer can impact the credit quality of an issuer. Lower quality bonds generally tend to be more sensitive to these changes than higher quality bonds.

<u>Prepayment Risk.</u> Many types of debt securities, including mortgage securities, are subject to prepayment risk. Prepayment risk occurs when the issuer of a security can prepay principal prior to the security's maturity. Securities subject to prepayment risk generally offer less potential for gains during a declining interest rate environment, and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a debt security may be difficult to predict and result in greater volatility.

Fidelity's Approach to Bond Funds

In managing bond funds, FMR selects a benchmark index that is representative of the universe of securities in which a fund invests. FMR uses this benchmark as a guide in structuring the fund and selecting its investments.

FMR allocates assets among different market sectors (for example, corporate or government securities) and different maturities based on its view of the relative value of each sector or maturity.

FMR focuses on assembling a portfolio of income-producing bonds that it believes will provide the best balance between risk and return within the universe of securities in which a fund may invest. FMR's evaluation of a potential investment includes an analysis of the credit quality of the issuer, its structural features, its current price compared to FMR's estimate of its long-term value, and any short-term trading opportunities resulting from market inefficiencies.

Right to Change Investment Guidelines The Investment Management Agreement between the Trust and Strategic Advisers includes investment guidelines, which are reflected in this document. Changes in guidelines may be made from time to time by the Trustee in consultation with Strategic Advisers, if investment conditions indicate that such changes would be beneficial and accomplish the purposes of the Trust. The Trustee shall make due allowance for the time which Strategic Advisers shall have to come into compliance with such changed guidelines.

The investments in Fidelity mutual funds presume a relationship between the Plan and Fidelity and are subject to change by the Trustee in the event that the relationship is terminated.

Change of Investment Manager and Trust Investments The Trustee has entered into an Investment Management Agreement with Strategic Advisers and a Management and Administrative Services Agreement with Strategic Advisers and two other Fidelity Investments companies. The initial term of the Management and Administrative Services Agreement ends on December 31, 2004. The agreement may be continued for additional one-year periods upon not less than sixty days' written notice by the Trustee to Fidelity, subject to any approvals as may be required under then applicable Commonwealth law. No more than five additional one-year extensions may be executed pursuant to the terms of the existing agreements. However, the Trustee and Fidelity may by mutual agreement further extend the agreements or negotiate mutually acceptable replacement agreements for subsequent periods. The Trustee shall exercise each of the five one-year extension options if as of the close of the third quarter of the applicable calendar year in which the Agreement would otherwise expire (i) investment performance is not "substandard" as defined in the Investment Management Agreement, and (ii) Fidelity is not then in material breach of the Management and Administrative Services Agreement.

The Trustee has the right to terminate the employment of Strategic Advisers and its affiliates earlier under certain specified circumstances, such as breach of the contract, or if Strategic Advisers has produced investment performance with respect to the assets of the Trust that is substantially below levels of investment performance with respect to assets of similar type and amount that are invested in investments similar to those authorized under the investment management guidelines established pursuant to the Investment Management Agreement.

UPON THE EXPIRATION OR EARLY TERMINATION OF THE ARRANGEMENTS WITH FIDELITY INVESTMENTS, THE TRUSTEE SHALL DETERMINE HOW THE ASSETS OF THE TRUST AND OF EACH PORTFOLIO SHALL BE INVESTED THEREAFTER, AND MAY IN THE TRUSTEE'S DISCRETION RETAIN ANOTHER INVESTMENT MANAGER FOR SUCH PURPOSE.

Fidelity's Right to Withdraw from the Plan The Fidelity Investments companies may terminate their involvement with the plan if the Commonwealth of Massachusetts, the Trustee, the Trust, or any other instrumentality of the Commonwealth that is involved in the management, direction, or control of the business of the Plan, has engaged in any activities which make Fidelity's continued involvement in the Plan economically unsound, or if legislation, whether state, federal, or otherwise, makes the continued operation of the Plan uneconomic or not in the best interests of Participants and/or Beneficiaries. Fidelity may also withdraw if MEFA breaches the terms of either the Investment Management Agreement or the Management and Administrative Services Agreement.

Sale of Units Pursuant to the Management and Administrative Services Agreement, FBSI markets and sells interests in the Plan. FBSI will receive compensation from Strategic Advisers, and registered representatives of FBSI who sell interests in the Plan will receive compensation from FBSI.

Holding of Units in Brokerage Accounts Your units will be maintained in FBSI brokerage accounts while the Trust's agreements with Fidelity Investments remain in effect. FBSI is a broker-dealer registered with the National Association of Securities Dealers, Inc. FBSI is the nation's second largest discount brokerage firm, and is engaged in a wide range of brokerage services, including the sale of Fidelity Investments mutual funds.

Recordkeeping and Compliance Under the Management and Administrative Services Agreement, FBSI is responsible for performing administration and recordkeeping services necessary to carry out the purposes of the Plan, including, but not limited to, the following: (1) maintaining records showing account balances, contributions, investments, tax basis, etc.; (2) tax reporting services, including the furnishing of required information to Participants and Beneficiaries, the Internal Revenue Service, and state tax authorities; (3) collecting from each account all required fees, including the initial application fee, and all daily and annual charges, and disbursing a portion of such collected fees; and (4) maintaining compliance with all applicable state and federal laws and regulations, including but not limited to filing any applications, statements, or notices as the case may be with any federal or state governmental authority.

Right to Employ Other Fidelity Investment Companies Strategic Advisers and FBSI may use the services of other companies in the Fidelity Investments group of companies.

Copies of Contracts Copies of the Investment Management Agreement and the Management and Administrative Services Agreement are available by calling 1-800-544-2776.

Federal Tax Treatment of Investments and Distributions The following discussion is a summary of certain aspects of federal income and gift taxation relating to an investment in the Portfolios. It is not exhaustive and is not intended as tax advice. The Federal tax consequences associated with an investment in a Portfolio of the Plan are complex, and the application of the pertinent tax rules to a particular person may vary according to facts specific to that person. A qualified tax adviser should always be consulted regarding the application of law to individual circumstances. In addition, Participants should be aware that the Internal Revenue Service has issued proposed regulations under section 529 of the Internal Revenue Code. When final regulations are issued, such regulations may have a significant impact on the tax consequences associated with investments in the Portfolios.

The following discussion is based on the Code, the proposed regulations and interpretations existing on the date of this document. It is possible that Congress, the Treasury Department, the IRS, or the courts may take actions that will affect the Code, the proposed regulations and/or the interpretations thereunder.

There may also be state and local tax consequences associated with investments in the Portfolios. Again, you should consult with a qualified tax adviser concerning these taxes.

Federal Income Taxation of Investments and Distributions

Any investment gains in an Account will not be subject to federal income tax until they are distributed. How the money will then be taxed under federal income tax law depends on whether the money is used for qualified higher education expenses.

Qualified higher education expenses are defined in section 529 of the Code as tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution. In addition, the term also includes an amount for room and board for students who attend school at least half-time. The room and board amount cannot exceed the minimum amount applicable to the student included in the "cost of attendance" (as defined under federal law) at the eligible educational institution for such period.

Under section 529 of the Code, money distributed for qualified higher education expenses ("Qualified Distributions") will be treated as income to the Beneficiary, and taxed at the Beneficiary's tax rate. Each Qualified Distribution will consist of two parts for federal income tax purposes. One part is a return of principal, which is not taxable. The other is a distribution of earnings, which is taxable. For a given tax year, a pro rata portion of the total amount distributed from an Account will be considered a return of principal, and the remainder will be considered a distribution of taxable earnings. For this purpose, all qualified state tuition programs of which an individual is a beneficiary shall be treated as one program.

Money distributed and not used for qualified higher education expenses ("Non-Qualified Distributions") will be treated as income to the Participant, and taxed at the Participant's tax rate. Again, pro-rata shares of amounts distributed are treated as non-taxable return of principal and taxable earnings. In addition, section 529 of the Code requires that the Plan impose a penalty on Non-Qualified Distributions. This penalty is currently set at 10% of the earnings distributed. The only exceptions to the penalty on Non-Qualified Distributions are for (a) distributions made on account of the death or disability of the Beneficiary, (b) distributions made on account of a scholarship received by the Beneficiary, so long as the distributions do not exceed the amount of the scholarship, and (c) rollover distributions.

Rollovers

A Participant may roll over the value of an Account without subjecting the rollover amount to Federal income tax provided certain conditions are met. Section 529 of the Code sets forth the conditions, which are as follows: (1) the amount distributed must be placed in another qualified state tuition program within 60 days of the distribution; (2) the money must be transferred to the credit of a different designated beneficiary; and (3) the designated beneficiary under the other qualified state tuition program must be a "member of the family" of the original designated beneficiary as set forth in Code section 152(a), subsections (1) through (8). Thus the new beneficiary must have one of the following relationships to the original beneficiary (1) son or daughter; (2) stepson or stepdaughter; (3) brother, sister, stepbrother, or stepsister; (4) father or mother, or an ancestor of either; (5) stepfather or stepmother; (6) son or daughter of a brother or sister; (7) brother or sister of the father or mother; and (8) son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law. A spouse of a family member or the spouse of a beneficiary is also considered a family member.

However, if the new beneficiary is a member of a younger generation than the previous beneficiary, a federal gift tax may apply. The tax will apply in the year in which the money is distributed from an Account.

Federal Gift and Estate Taxes

The special rules applicable to qualified state tuition programs override other gift and estate tax rules.

Investments in an Account are considered completed gifts for Federal estate and gift tax purposes. Except for one situation, described in the following paragraph, if the Participant on an Account were to die while there were still money in an Account, the value of the Account would not be included in the Participant's estate.

Investments in an Account are subject to Federal gift tax. However, if an investment by a Participant in a single year is greater than $10,000, the Participant may elect to apply the $10,000 annual exclusion equally over a five year period. Thus, a Participant who makes a $50,000 investment in an Account in a year, makes the election, and makes no other gifts to the Beneficiary during that year or the next four years would not incur a gift tax as a result of the investment. However, if the Participant dies before the end of the five year period, the portion of the gift allocable to the years remaining in the five year period would be includable in the Participant's estate for estate tax purposes.

Hope Scholarship and Lifetime Learning Credits

Participants and Beneficiaries may also benefit from Hope Scholarship Credits and Lifetime Learning Credits.

The Hope Scholarship Credit is an amount equal to 100% of the first $1,000 of qualified tuition and related expenses paid by a taxpayer during the taxable year for the qualified educational expenses of a student during any academic period beginning in such taxable year, plus 50% of such expenses over $1,000, but the maximum credit is limited to $1,500 per year per student. Hope Scholarship Credits may be used only during two taxable years. They are not available for any taxable year if the student has completed two years of post-secondary education before the start of the taxable year. A student must be at least a half-time student for the Hope Scholarship Credit to be available with respect to a taxable year.

For purpose of the Hope Scholarship Credit the term "qualified tuition and related expenses" means tuition and fees required for the enrollment or attendance of (a) the taxpayer, (b) the taxpayer's spouse, or (c) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151 of the Internal Revenue Code, at an eligible educational institution for courses of instruction of such individual at such institution.

The Lifetime Learning Credit for any taxpayer for any taxable year is an amount equal to 20% of so much of the qualified tuition and related expenses paid by the taxpayer during the taxable year for education furnished to an individual during any academic period beginning in such taxable year as does not exceed $5,000. The $5,000 becomes $10,000 in the case of taxable years beginning on or after January 1, 2003. The qualified tuition and related expenses with respect to an individual who is an eligible student for whom a Hope Scholarship Credit is allowed for the taxable year shall not be taken into account. Qualified tuition and related expenses under the Lifetime Learning Credit include expenses eligible under the Hope Scholarship Credit with respect to any course of instruction at an eligible educational institution to acquire or improve job skills of the individual.

The Hope Scholarship and Lifetime Learning Credits are non-refundable. In other words, if the amount of the credit is greater than the amount of income tax otherwise owed, use of the credits will not generate a cash refund to the taxpayer.

The Hope Scholarship and Lifetime Learning Credits are not available to taxpayers whose modified adjusted gross income exceeds specified levels. Single taxpayers whose income does not exceed $40,000 can take full advantage of these credits. So can married taxpayers filing joint returns whose modified adjusted gross income does not exceed $80,000. Single taxpayers with modified adjusted gross incomes over $50,000 and married taxpayers with adjusted gross incomes over $100,000 cannot use the credits at all. Single taxpayers with modified adjusted gross incomes between $40,000 and $50,000, and married taxpayers with modified adjusted gross incomes between $80,000 and $100,000, will be able to take only partial advantage of these credits.

If a parent claims a child as a dependent on their Federal income tax return, only that parent may make use of the Hope Scholarship Credit or the Lifetime Learning Credit.

No Hope Scholarship or Lifetime Learning Credit can be taken with respect to any expenses for which another deduction is allowed. The same expenses cannot be used for both a Hope Scholarship Credit and a Lifetime Learning Credit.

The credit amounts and income limits will be increased for inflation beginning in 2002.

Hope Scholarship Credit and Lifetime Learning Credit Not Available if Education IRA Exclusion Used in Same Year

A taxpayer who elects to treat distributions from an Education IRA as tax-free during a given year cannot also claim a Hope Scholarship Credit or a Lifetime Learning Credit for the same taxable year.

Investments in Qualified State Tuition Program and Education IRA in the Same Year

If any amount is invested in any Education IRA for a particular beneficiary in the same year that there is any investment in a qualified state tuition program for the same beneficiary, some or all of the amount invested in the Education IRA will be treated as an "excess contribution" under section 4973 of the Code and will generally be subject to a penalty tax of 6% of the amount invested. However, the penalty tax will not apply if the amount of the investment, and any earnings thereon, is distributed on or before the day prescribed by law for filing the taxpayer's return for such taxable year.

U. FUND

College Investing Plan℠

PARTICIPANT HANDBOOK

Once you've opened an account the next three pages outline how U.Fund investors conduct business with Fidelity Investments. It includes the following information:

- How to make contributions to your account
- How to make withdrawals from your account
- How to change the beneficiary on your account

If you have any questions about the handbook, or would like additional information, please call 800-544-2776 to speak with a U.Fund representative.

Making an Investment to Your Account

Minimum Investments*

Initial Investments must be made by check

Initial Investment	To Add to an Account
$1,000	$50
$50 monthly with Fidelity Automatic Account Builder® (FAAB)	$50 monthly or $150 quarterly

*If you are interested in transferring amounts from an existing Fidelity account, please call our U.Fund representatives for information.

Maximum Investments

A single beneficiary may receive investments from more than one participant. For instance a father, a mother, and a grandparent could each establish an account on behalf of a single beneficiary. However, federal tax law limits the amount that can be invested on behalf of a beneficiary. Total amounts invested on behalf of a beneficiary may not exceed the anticipated costs of the beneficiary's education. The maximum investment to the U.Fund is determined by factoring together the following key information (although other factors may apply):

- federal and state legislation requirements,
- the anticipated costs of education,
- the timing and amount of your investment(s), and
- the value of all investments designated for a particular beneficiary as of December 31 each year

If it is determined that an investment will exceed the maximum for your designated beneficiary, the investments may not be accepted. Amounts exceeding the mandated maximums will be returned to you. You will be notified periodically of amounts available to be invested. The investment maximums will be changed annually in accordance with current college expenses.

How to Invest in Your Account

By Mail

- Read the Customer Agreement, Participation Agreement and Fact Kit carefully. Complete and sign the U.Fund College Investing Plan Account Application. **Make your check payable to Fidelity Brokerage Services, Inc.** Mail the signed Account Application and check in the postage paid envelope enclosed with your application. If you want to make additional investments by check, mail your check to Fidelity Investments, College Plan Service Center, P.O. Box 770001, Cincinnati, OH 45277–0015 and indicate your account number on the check. If you do not provide your account number, your investment may be delayed.

By Automatic Account Builder

- Use Fidelity Automatic Account Builder to make regular monthly or quarterly investments to your account. Sign up for this service when opening an account (see section 4 on the Application), or call 800-544-2776 to add it. Please note that your Automatic Account Builder may be suspended if investments on behalf of a beneficiary exceed the maximum amount which may be invested to your account. You should allow approximately 30 days before your first transfer is initiated. One identical name must appear on both your bank account and U.Fund account.

By Wire

- Once you have established your account and made an initial investment by check, you may arrange to wire additional investments to your account by providing your bank information to Fidelity. Your wire must generally be received and accepted by Fidelity before 4 p.m. ET for money to be credited the same day. Call 800-544-2776.
- By payroll deduction or direct deposit

Note: Payment must be received by the U.Fund by 4 p.m. ET in order to receive the next computed closing price. If you want to sell securities (including mutual fund shares) and use the proceeds to invest in the Plan, then the purchase of the Plan will occur the business day after the redemption of these securities. If you are transferring proceeds from a mutual fund account, the purchase will occur the business day after the redemption of the mutual fund position.

Withdrawing from Your Account

Investment gains in the program are federal income tax-deferred until withdrawn. Unlike other programs that offer full benefits only if your beneficiary attends a school that participates in the program, with the U.Fund there are no limits on the schools your beneficiary can attend provided the school is accredited and qualified to participate in Federal student aid programs. Under federal tax law, any money not used for qualified higher education expenses must generally be subject to a penalty. With the U.Fund the penalty is 10% of any earnings withdrawn. There are exceptions to this penalty if:

- your beneficiary receives a scholarship and you withdraw the equivalent of the amount received from that scholarship, or
- your beneficiary becomes disabled as determined by a registered physician, or
- your beneficiary dies, or
- you rollover the assets to another 529 plan for a family member of the previous beneficiary.

If your beneficiary chooses not to go to college, you can change the beneficiary to be another member of the beneficiary's family, such as a brother or sister, without incurring any federal income tax consequences.[1] For the definition of family member see the next page.

How to Withdraw from Your Account

Qualified Withdrawals to Pay for Higher Education Expenses

- You may request a withdrawal by completing a Distribution Request Form and sending it to the address on the form. Along with your completed withdrawal form, you must include copies of bills or receipts for the qualified withdrawal requested.
- The bills and receipts enclosed with your request must be for qualified higher education expenses. Those expenses include:
  - tuition, fees, books, supplies, and equipment required for enrollment
  - room and board expenses if the student is attending the eligible educational institution at least half-time. (If the student resides off-campus, these expenses may not exceed amounts designated by federal regulations.)
- To be eligible to take a qualified withdrawal, your beneficiary's educational institution must be accredited as defined in 26 U.S.C. Section 1088, as in effect as of August 5, 1997, and be eligible to participate in certain aid programs under the Higher Education Act of 1965, Title IV. This includes most four-year colleges and universities and some two-year institutions and proprietary and vocational schools.
- Your withdrawal will be made in the form of a check. The withdrawal check will be made payable to the educational institution for the benefit of your beneficiary or in the case of reimbursement for books or off-campus living expenses, to your designated beneficiary.
- If you make a full withdrawal and have not yet been charged your annual administration fee, you may be subject to a pro-rated administration fee.

Non-Qualified Withdrawals

(i.e., withdrawals not used to pay for qualified higher education expenses)

- You may request a withdrawal by completing a Distribution Request Form. The form will ask you to provide some of the following information:
  - your name
  - your beneficiary's name
  - your account number
  - the dollar amount you wish to withdraw
  - the name and address of the payee
- As required by tax law, a penalty of 10% of earnings (not principal) will apply to any non-qualified withdrawals – unless the withdrawal is the result of:
  - a scholarship reimbursement
  - the disability of the beneficiary
  - the death of the beneficiary

[1] However, changing the beneficiary to someone in a younger generation in the family may result in federal gift tax. You cannot name yourself as a beneficiary.

- If you make a full withdrawal and have not yet been charged your annual administration fee, you may be subject to a pro-rated administration fee.

Rollovers to other Qualified State Tuition Programs

You may request a rollover to another plan by completing a Distribution Request Form. Your rollover will be tax-free and penalty-free provided that you name a new beneficiary, who is a family member of the existing beneficiary, and that the rollover is completed within 60 days of the distribution. We will make your check payable to your new plan for your benefit, but we will mail the check to you at your current address of record. The cost basis of your rollover will be mailed separately from your rollover check. You will need to provide your cost basis to your new plan administrator.

Changing the Beneficiary on Your Account

You can change your Account so that it is for the benefit of another beneficiary who is a family member of your original beneficiary. If you do this, there is no penalty. If you wish to change the beneficiary to a non-family member, this would be treated as a withdrawal and subject to taxes and a penalty of 10% of the investment gains withdrawn.

If you make a full transfer to an account for another beneficiary, you may be subject to a pro-rated administration fee.

How to Change Your Beneficiary to a Family Member

- You may request a change of beneficiary by completing a Beneficiary Change Request Form and sending it to the address on the form. You cannot name yourself as your own beneficiary.
- On your Beneficiary Change Request Form, you will be asked to certify the relationship between the new beneficiary and your original beneficiary. The new beneficiary must be a family member of your original beneficiary. A family member is defined in section 152(a)(1)-(8) of the Internal Revenue Code and generally means a:
  - sibling (including half-brother/sister) or step-sibling
  - niece or nephew
  - parent or step-parent
  - child or step-child
  - grandparent
  - aunt or uncle
  - mother/father, brother/sister or daughter/son in-law
  - spouse
  - spouse of any "family member" listed above

Please note: If the new beneficiary is a member of a younger generation than the previous beneficiary, a federal gift tax may apply. Consult a tax adviser for your particular situation.

Contacting Us

If you want to call us, please call 800-544-2776. If you want to contact us in writing, send your letters and account information to:

U.Fund College Investing Plan
c/o Fidelity Investments
College Plan Service Center
P.O. Box 770001
Cincinnati, OH 45277-0015

Participation Agreement

Fidelity Investments®

for the U.Fund College Investing Plan Established and Maintained by the Massachusetts Educational Financing Authority and Administered by Fidelity Investments

U. FUND College Investing Plan™

General Information

Read this agreement and complete a Fidelity Brokerage Services, Inc. brokerage account application and mail it to:

Fidelity Investments College Plan Service Center, P.O. Box 770001, Cincinnati, OH 45277-0015

The Participant ("you"), the Massachusetts Educational Financing Authority Higher Education Savings Plan Trust (the "Trust"), and Fidelity Brokerage Services, Inc. ("FBSI") agree as follows:

1. Accounts and Beneficiaries.

(a) Opening Accounts. You may open one or more Accounts. The purpose of each Account is to provide for the qualified higher education expenses (as defined in section 529 of the Internal Revenue Code of 1986, as amended (the "Code")) of one Beneficiary.

(b) Separate Accounts. The Trust will maintain a separate Account for each Beneficiary. Each Account will be governed by this Agreement and the Trust's Declaration of Trust. All assets held in your Accounts will be held for the exclusive benefit of you and your Beneficiaries.

(c) Naming and Changing Beneficiaries. You will name the Beneficiary for an Account in the Account application. You can change the Beneficiary at any time, but no one else can change the Beneficiary. The new Beneficiary must be a "member of the family" of the original Beneficiary, as that term is defined under section 529(e)(2) of the Code. The designation of the new Beneficiary will be effective on the first day following receipt of the appropriate form, properly completed.

2. Investments.

(a) Investments to be in Cash. All investments will be in cash in order to comply with the requirements of the Code. Cash means only (i) checks, (ii) electronic funds transfers from your bank, (iii) payroll deductions made by your employer, (iv) funds wired through the Federal Reserve system and (v) proceeds transferred from your Fidelity Investments mutual fund or brokerage account.

(b) Minimum Initial Investment. The initial investment in each Account will be at least $50 if you agree to invest at least $50 each month thereafter, or $150 each quarter thereafter. Otherwise the minimum initial investment is $1,000, and you do not need to make any additional investment.

(c) Additional Investments. You may make additional investments of at least $50 at any time, subject to the overall limit described in the next paragraph.

(d) Maximum Investment Limit. The Trust will set a maximum investment limit for each Beneficiary for each calendar year. If there are no accounts open for a Beneficiary at the end of a calendar year the most that can be invested for the Beneficiary in the next calendar year is the maximum investment limit. If any Accounts are open for a Beneficiary on December 31, the limit for the next year will be the maximum investment limit for the next year less the value of all accounts for the Beneficiary as of December 31. The Trust will inform Participant of the maximum investment limit for each year. The Trust will return the portion of any investment that exceeds the maximum investment limit. The limit will be designed to comply with the excess contribution limit required by section 529(b)(7) of the Code.

3. Distributions from Accounts.

You may direct the Trustee to distribute part or all of the money in an Account at any time.

(a) You must complete a Distribution Notice form containing information required by the Trustee. The Trustee may change the form from time to time.

(b) The Trustee will examine each Distribution Notice and determine whether the proposed distribution is a Qualifying Distribution or a Non-Qualifying Distribution (each term is defined below). The Trustee will notify you of the determination no later than sixty (60) days after the determination.

(c) "Qualifying Distribution" means any distribution that the Trustee determines is (i) to be applied for qualified higher education expenses; (ii) on account of the death or disability of the Beneficiary; or (iii) on account of the receipt by the Beneficiary of a scholarship, waiver of tuition or similar benefit that the Trustee determines cannot be converted into money by the Beneficiary, but only to the extent that the amount of the distribution does not exceed the amount of the scholarship, waiver of tuition or similar benefit. You will submit any documentation that the Trustee may require as evidence that a distribution is to be a Qualifying Distribution, in such form as the Trustee may require.

(d) If the Trustee determines that the proposed distribution is a Qualifying Distribution, then the Trustee will authorize the distribution of the entire amount requested in the Distribution Notice by you, less any state or federal taxes to be withheld.

(e) "Non-Qualifying Distribution" means any distribution that is not a Qualifying Distribution.

(f) If the Trustee determines that the proposed distribution is a Non-Qualifying Distribution, then the Trustee will assess a penalty equal to 10 percent of that portion of such distribution that is attributable to investment gains in the Account. Any penalty assessed against an Account pursuant to this paragraph shall be immediately charged against the Account and paid to the Trustee. The Trustee will authorize the distribution only of the remaining amount requested in the Distribution Notice by you, less any state or federal taxes to be withheld.

(g) The Trustee will provide you with notice of any penalty assessed on a Non-Qualifying Distribution. If you provide satisfactory evidence to the Trust that the distribution is a Qualifying Distribution before the earlier of (i) the 60th day following the date the Distribution Notice is received by the Trust, or (ii) December 31 of the year in which the Distribution Notice is received by the Trust, then the Trustee will credit the account with the amount of the previously assessed penalty.

(h) Notwithstanding any other provision of this agreement, the Trustee may terminate an Account upon a determination that you or the Account's Beneficiary has provided false or misleading information to the Trust, FBSI or an eligible educational institution. Upon such a finding and a termination, the Trustee will assess the penalty described in Paragraph 3(f) with respect to the amount held in the Account. Any penalty assessed against an Account pursuant to this paragraph will be charged against the Account and paid to the Trustee. The Trustee will pay you the balance remaining in the Account after such penalty assessment, less any state or federal taxes to be withheld.

4. Your Representations and Acknowledgments.

You hereby represent and warrant to, and agree with the Trust and FBSI as follows:

(a) You have received and read the document entitled The U.FUND COLLEGE INVESTING PLAN FACT KIT and have carefully reviewed all the information contained therein, including information provided by or with respect to the Trust and FBSI. You have been given an opportunity within a reasonable time prior to the date of this Agreement to ask questions and receive answers concerning (i) an investment in the Plan, (ii) the terms and conditions of the Trust, and (iii) this Agreement and the FBSI customer agreement, and to obtain such additional information necessary to verify the accuracy of any information furnished. You have had the opportunity to ask questions of a representative of the Trust and have received satisfactory answers to any questions asked.

(b) You acknowledge and agree that the value of any Account will increase or decrease each day that the New York Stock Exchange is open for trading, based on the investment performance of the investment portfolio of the Trust in which the Account is then invested, and that each investment portfolio of the Trust will invest in mutual funds selected by Strategic Advisers, Inc. (a Fidelity Investments company), or one or more other investment advisers that may be hired by the Trust. **YOU UNDERSTAND THAT THE VALUE OF ANY ACCOUNT MAY BE MORE OR LESS THAN THE AMOUNT INVESTED IN THE ACCOUNT.** You agree that all investment decisions will be made by Strategic Advisers, Inc., or any other adviser hired by the Trust, and that you will not direct the investment of any funds invested in the Trust, either directly or indirectly. You also acknowledge and agree that none of the Commonwealth of Massachusetts, the Massachusetts Educational Financing Authority, the Trust, the Trustee, FBSI, Strategic Advisers, Inc. or any other adviser or consultant retained by or on behalf of the Trust makes any guarantee that you will not suffer a loss of the amount invested in any Account.

(c) You understand that so long as Strategic Advisers, Inc. serves as investment manager to the Trust, it will invest the assets of the investment portfolios of the Trust primarily or exclusively in Fidelity Investments mutual funds, and that any successor investment manager may invest in any mutual funds registered with the United States Securities and Exchange Commission or other investments approved by the Trustee. You also understand that the assets in the Trust will be allocated among stock mutual funds, bond mutual funds and money market mutual funds while Strategic Advisers, Inc. serves as investment manager of the Trust. You also understand that Strategic Advisers, Inc. intends to invest Trust assets so that the younger the Beneficiary of an Account, the greater the percentage of the Account's assets that will be indirectly invested through an investment portfolio of the Trust in stock mutual funds, and the older the Beneficiary, the greater the percentage of the Account's assets that will be indirectly invested through an investment portfolio of the Trust in bond and money market mutual funds.

(d) You acknowledge and agree that participation in the Plan does not guarantee that any Beneficiary: (i) will be accepted as a student by any institution of higher education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any institution of higher education; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. You also acknowledge and agree that none of the Commonwealth of Massachusetts, the Massachusetts Educational Financing Authority, the Trust, the Trustee, FBSI, Strategic Advisers, Inc. or any other adviser or consultant retained by or on behalf of the Trust makes any such representation or guarantee.

(e) You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.

(f) You acknowledge and agree that you may not assign or transfer any interest in any Account. Any attempted assignment or transfer of such an interest will be void.

(g) You acknowledge and agree that the Trust will not loan any assets to you or any Participant or Beneficiary.

(h) You agree and acknowledge that the Plan is established and maintained by the Massachusetts Educational Financing Authority pursuant to state law and is intended to qualify for certain federal income tax consequences under section 529 of the Code. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that none of the Commonwealth of Massachusetts, the Massachusetts Educational Financing Authority, the Trust, the Trustee, FBSI or any adviser or consultant retained by the Trust makes any representation that such state or federal laws will not be changed or repealed.

5. Fees and Expenses. The Trust will make certain charges against each Account in order to provide for the costs of administration of the Accounts and such other purposes as the Trustee shall determine appropriate.

(a) Daily Charge. Each investment portfolio of the Trust will be subject to a daily charge at an annual rate of 0.30 percent of its net assets.

(b) Annual Fee. Each Account will be subject to an annual charge of $30. The first charge will be made one year after the Account is opened.

This annual fee will be waived for any year if you make automatic minimum $50 monthly or $150 quarterly investments by electronic funds transfers or payroll deduction all through the year. It will also be waived for any year if (i) the value of the Account equals or exceeds $25,000, (ii) the value of all accounts for the same Beneficiary equals or exceeds $25,000, or (iii) any other account for the same Beneficiary receives automatic minimum $50 monthly or $150 quarterly investments by electronic funds transfers or payroll deduction all through the year.

(c) You agree and acknowledge that the charges described in the subparagraphs (a) and (b) may be increased or decreased as the Trustee shall determine to be appropriate and that, in addition, each of the mutual funds that is chosen by Strategic Advisers, Inc., or other investment advisers that may be hired by the Trust, also will have investment management fees and other expenses. The Trust will not invest in any mutual fund if a sales load would be imposed on that investment.

6. Necessity of Qualification. The Trust intends to qualify for favorable federal tax treatment under section 529 of the Code. You agree and acknowledge that qualification under Section 529 of the Code is vital, and agree that the Trustee may amend this Participation Agreement upon a determination that such an amendment is required to maintain such qualification.

7. Audit. The Trustee shall cause the Trust and its assets to be audited at least annually by a certified public accountant selected by the Trustee.

8. Reporting. The Trust, through the FBSI brokerage account in which Trust units will be held, will make quarterly reports of Account activity and the value of each Account.

9. Participant's Indemnity. You recognize that each Account will be established based upon your statements, agreements, representations and warranties set forth in this Agreement. You agree to indemnify and to hold harmless the Trust, the Trustee, FBSI and any representatives of the Trust, the Trustee or FBSI from and against any and all loss, damage, liability or expense, including costs of reasonable attorney's fees, to which they may be put or which they may incur by reason of, or in connection with, (i) any misstatement or misrepresentation made by you or any Beneficiary of yours, (ii) any breach by you of the acknowledgments, representations or warranties contained herein or (iii) any failure by you to fulfill any portion of this agreement. You agree that all statements, representations and warranties will survive the termination of this Agreement.

10. Amendment and Termination. Nothing contained in the Trust or this Participation Agreement shall constitute an agreement or representation by the Trustee or anyone else that the Trust will continue in existence. At any time the Trustee may amend the Declaration of Trust and this Participation Agreement, or suspend or terminate the Trust by giving written notice of such action to the Participant, so long as after the action the assets in your accounts are still held for the exclusive benefit of you and your Beneficiaries.

Fidelity Brokerage Services, Inc.
Customer Agreement

[illegible]

U. FUND

College Investing Plan℠

MEFA

Massachusetts Educational Financing Authority

Fidelity Investments®

Established and Maintained by the
Massachusetts Educational Financing Authority
and Administered by Fidelity Investments

MACIT-WRAPPER-0399
1.715181

71846.001
MACIT-WRAPPER-0399

Fidelity Brokerage Services, Inc. Customer Agreement

General Information

This agreement between me and Fidelity Brokerage Services, Inc. ("FBSI") and National Financial Services Corporation ("NFSC") (collectively "Fidelity" or "you") sets forth the terms and conditions governing Section 529 Qualified State Tuition Programs ("Qualified Program") and includes this General Information section and Electronic Services Agreement. The Qualified Program offers a Fidelity Brokerage Services, Inc. limited purpose securities account (the "securities account") in which units of the Qualified Program ("Units") may be purchased and distributed according to the terms and conditions of the Participation Agreement and Fact Kit. No other securities may be held in the securities account. I acknowledge receipt of the Participation Agreement and Fact Kit and have read, understood and agree to their terms and conditions. I understand that the Qualified Program account may not be suitable for all investors and that I need to determine whether it is an appropriate college investing vehicle for my particular situation. The Qualified Program also offers electronic funds transfer services, including electronic Unit purchases.

1. Nature of Services Provided. Upon acceptance of my application, I understand you will maintain a limited securities account for me, and as my broker, buy or sell Units according to my instructions and the terms and conditions of the Participation Agreement and Fact Kit. All decisions relating to the purchase or distribution of Units in my account will be made by me. All decisions relating to my purchase or distribution of Units shall be made by me or my duly authorized representative and I accept full responsibility for such decisions.

Under the Fair Credit Reporting Act, Fidelity is required to notify me that any information I give you on this account agreement will be subject to verification, and I authorize you to obtain a credit report about me at any time. Upon written request, you will provide the name and address of the credit reporting agency used. You also may tape record conversations with me in order to verify data about any transactions I request, and I consent to such recording. I also understand that my account is carried by NFSC, an affiliate of FBSI.

Industry regulations require delivery of the following information to all investors upon opening a brokerage account: This information may not necessarily apply to Qualified Program accounts. NFSC transmits customer orders for execution to various exchanges and market centers based on a number of factors. These include: size of order, trading characteristics of the security, favorable execution prices (including the opportunity for price improvement), access to reliable market data, availability of efficient automated transaction processing, and reduced execution costs through price concessions from the market centers. Certain of the market centers may execute orders at prices superior to the publicly quoted market in accordance with their rules or practices. While a customer may specify that an order be directed to a particular market center for execution *, NFSC's order-routing policies, taking into consideration all of the factors listed above, are designed to result in favorable transaction processing for customers.

FBSI and NFSC receives remuneration, compensation or other considerations for directing customer orders for equity securities to particular broker/dealers or market centers for execution. Such consideration, if any, takes the form of financial credits, monetary payments or reciprocal business.

*Please note: Orders placed through Fidelity's telephone, electronic or online trading systems cannot specify a particular market center for execution.

2. Applicable Rules and Regulations. All transactions through FBSI are subject to the constitution, rules, regulations, customs, and usages of the exchange, market, or clearing house where executed, as well as to any applicable federal or state laws, rules, and regulations.

3. Purchases and Distributions. Investments by check will be used to purchase Units. I understand that access to my distribution proceeds of Units purchased with monies so advanced may be withheld for up to seven business days (20 days for foreign checks) to ensure such checks have been collected. Such withholding may result in rejection of debit items if monies are not otherwise available to me within the Fidelity brokerage account.

I ratify any instructions given on this account and any brokerage or Fidelity fund into or from which I exchange or any bank accounts pre-designated by me, and agree that neither you nor the fund's transfer agent will be liable for any loss, cost, or expense for acting upon such instructions believed by you or the transfer agent to be genuine and in accordance with the procedures described in the Fact Kit.

I understand that certain fees may be applicable for services including but not limited to an annual $30 account administration fee which will be charged by the Qualified Program and debited from the Units I own.

I have received and read a copy of the Participation Agreement and the Fact Kit containing a more complete description of the program and its fees, charges and operations.

Transactions

4. Electronic Funds Transfer. I may elect any or all of the following electronic funds transfer services: (a) telephone purchase of units to be settled through my designated bank account; (b) direct transmission to my brokerage account of payments to be made to me by others on a reestablished basis.

Bank Wire and Fidelity Money Line ("electronic funds transfer" or "EFT") are two services that enable me to electronically transfer money between my bank account and my Fidelity brokerage account.

Bank Wires are processed through the Federal Reserve wire system, and are normally completed on the business day following the request.

Electronic funds transfers are processed through the Automated Clearing House ("ACH"). My bank must be an ACH member for me to use this service, and one common name must appear on both my bank and Fidelity account(s). The minimum EFT transaction is **$50** and the maximum is $99,999. EFTs are normally completed within three business days, and credits to your account are subject to a five to seven day collection process.

I hereby constitute and appoint FBSI our true and lawful attorney to surrender for distribution any and all Units held in my accounts with full power of substitution in the premises. FBSI is hereby authorized and directed to accept and act upon any directions for distributions of Units held in my account from any authorized person (i.e., participant or participant's authorized designee) who requests payment to be made to the bank account above. I understand and agree that FBSI will not be liable for any loss, expense, or costs arising out of any request for distribution so long as FBSI transmits the distribution proceeds to the bank account identified. FBSI reserves the right to cease to act as agent to the above appointment upon 30 days' written notice to the address of record listed on my application. I further certify and agree that the above certifications, authorizations, and appointments in this document will continue until FBSI receives actual written notice of any change thereof.

Settlement

5. Payment of Items. I understand that all debit items, such as Unit purchases and electronic funds transfers, will be accumulated daily and that you will promptly pay each on my behalf to the extent that sufficient funds can be provided; first from amounts contributed by me or on my behalf and available that day.

I understand that if funds in my Fidelity brokerage account are insufficient to pay for the purchase of Units, such Units will not be purchased. I will promptly return to you any assets that you distribute to me but to which I am not entitled.

6. Settlement of Transactions. In the absence of a specific demand, all transactions in any of my accounts are to be paid for, no later than 4 p.m. Eastern time on the settlement date. Fidelity reserves the right to cancel or liquidate, at my risk, any transaction not timely settled.

7. Security Interest. Any credit balances, securities, assets or related contracts, and all other property in which I may have an interest held by you or carried for my account(s) shall be subject to a general lien for the discharge of my obligations to you, and you may sell, transfer, or assign any such assets or property to satisfy any obligation whether or not you have made advances with respect to property. Shares of any Investment Company which I have an interest, and for which Fidelity Management & Research Company serves as investment adviser, also are subject to a general lien for the discharge of my obligation to FBSI and NFSC, and FBSI and NFSC may redeem any such shares to satisfy my obligation without further notice or demand. No provision of this agreement concerning liens or security interests shall apply to any account to the extent such application would be in conflict with any provision of ERISA or the Internal Revenue Code relating to retirement accounts or to the Qualified Program.

8. Liability for Costs of Collection. I am liable for payment upon demand of any debit balance or other obligation owed in any of my accounts or any deficiencies following a whole or partial liquidation, and I agree to satisfy any such demand or obligation. I agree to reimburse FBSI and NFSC for all reasonable costs and expenses incurred in the collection of any debit balance or unpaid deficiency in any of my accounts, including, but not limited to, attorneys' fees.

Reporting

9. Periodic Reports. I will receive a statement of all transactions quarterly, and monthly in the months where there is activity in my account. The brokerage statement will detail: the number of Units that were purchased or redeemed for me, distribution checks, if any; and electronic funds transfers; and fees assessed by the Qualified Program.

10. Receipt of Communications. Communications by mail, messenger, telegraph, or otherwise, sent to me at the address of record listed on the application, or any other address I may give FBSI, are presumed to be delivered to and received by me whether actually received or not. I understand that I should promptly and carefully review the transaction confirmations and periodic account statements and notify you of any errors. Information contained in the transaction confirmations and periodic account statements is conclusive unless I object in writing within five and ten days, respectively, after transmitted to me.

Other

11. Extraordinary Events. FBSI shall not be liable for any losses caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, or other conditions beyond its control, including, but not limited to, extreme market volatility or trading volumes.

12. Termination of Account. My account may be terminated by me or, if I fail to maintain a balance in my account, by Fidelity. This agreement will remain in effect until its termination is acknowledged in writing by an authorized representative of FBSI. I will remain responsible for all transactions initiated or authorized by me, whether arising before or after termination.

13. Modification. No provision of the agreement can be amended or waived except in writing, signed by an authorized representative of FBSI. If any provision of this agreement becomes inconsistent with any present or future law or regulation of any entity having regulatory jurisdiction over it, that provision will be superseded or amended to confirm with such law or regulation, but the remainder of this agreement remains in full force and effect.

This agreement and its enforcement shall be governed by the laws of the Commonwealth of Massachusetts; shall cover individually and collectively all accounts that I may open or reopen with Fidelity; and shall insure to the benefit of Fidelity's successors and assigns, whether by merger, consolidation, or otherwise. Fidelity may transfer my account to your successors and assigns, and this agreement shall be binding upon my heirs, executors, administrators, successors, and assigns.

Arbitration

14. Pre-Dispute Arbitration Agreement. This account is subject to the arbitration rules of the New York Stock Exchange, Inc. or the National Association of Securities Dealers, Inc. I am aware of the following:

a. Arbitration is final and binding on the parties.

b. The parties are waiving their right to seek remedies in court, including the right to jury trial.

c. Pre-arbitration discovery is generally more limited than and different from court proceedings.

d. The arbitrators' award is not required to include factual findings or legal reasoning, and any party's right to appeal or to seek modification of rulings by arbitrators is strictly limited.

e. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

I agree that all controversies that may arise between us concerning any order or transaction, or the continuation, performance, or breacb of this or any other agreement between us, whether entered into before, or on, or after the date this account is opened, shall be determined by arbitration before a panel of independent arbitrators set up by either the New York Stock Exchange, Inc. or the National Association of Securities Dealers, Inc. as I may designate within five days after I receive from you a written demand for arbitration, then I authorize you to make such designation on my behalf. I understand that judgment upon any arbitration award may be entered in any court of competent jurisdiction.

No person shall bring putative or certified class action to arbitration, nor seek to enforce a pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (a) the class certification is denied; or (b) the class action is decertified; or (c) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

Fidelity Investments General Electronic Services Customer Agreement

1. I understand that this Agreement ("Agreement") between me and Fidelity (Fidelity refers to Fidelity Brokerage Services, Inc., Fidelity Distributors Corporation and National Financial Services Corporation as the context may require) states the terms and conditions if I choose to use Fidelity's Electronic Services. Fidelity's Electronic Services includes Fidelity On-line Xpress, Fidelity TouchTone Trader, Fidelity On-line Xpress+, Fidelity TouchTone Xpress, and any other online securities trading system, Web-based or otherwise, established by Fidelity directly or through online business partners.

If I use Fidelity's electronic services in conjunction with a Qualified Program account, such use will be subject to the terms and conditions of the Participation Agreement and Fact Kit.

In offering Fidelity On-line Xpress and Fidelity On-line Xpress+, Fidelity is making available to me interactive computer services whicb allow me to enter orders to buy and sell certain securities, stock options, and mutual funds and obtain quotations and other information (some of whicb may be provided by third parties) via electronic transmission for use on compatible personal, home, or small business computers with modems which can connect to the appropriate telecommunications network. Some of these features may not be available for Qualified Program accounts. In offering Fidelity TouchTone Trader and Fidelity TouchTone Xpress, Fidelity is making available to me automated telephone services which allow me to enter orders to buy and sell certain securities and mutual funds within a Fidelity brokerage account or retail fund account and obtain quotations and other information via electronic transmission.

I agree to use Fidelity's Electronic Services only in accordance with this Agreement and that any additional services offered by Fidelity in the future will only be used in accordance with this Agreement. Fidelity may amend or terminate this Agreement upon written notice from Fidelity. Nothing in this Agreement should be construed as a solicitation or recommendation to buy or sell securities.

2. I shall be the only authorized user of Fidelity's Electronic Services under this Agreement. I agree to keep confidential and not publisb, broadcast, retransmit, reproduce, commercially exploit, or otherwise redisseminate the data, information, or services provided under this Agreement. I shall be responsible for the confidentiality and use of my password(s) and other security data, methods, and devices. I understand that I shall be solely responsible for all orders electronically transmitted, or use of any data, information, or services obtained, using my passwords and other security data.

I agree that Fidelity Electronic Services are the proprietary property of Fidelity and/or third parties from whom Fidelity has obtained rights to provide access to Fidelity customers. I agree not to use Fidelity Electronic Services except as authorized by this Agreement and, in any event, not to make it available to any third parties.

3. I further understand and agree that any orders given by me and any information furnisbed to me by use of Fidelity's Electronic Services shall be subject to the following terms and conditions:

(a) If an order has been placed through Fidelity's Electronic Services and I have not received a reference number reflecting the order, I shall immediately notify Fidelity.

(b) If an order has been placed through Fidelity's Electronic Services and I have not received an accurate written confirmation of the order or of its execution within five (5) business days, I shall immediately notify Fidelity.

(c) If I have received confirmation of an order whicb I did not place or any similar conflicting report, I shall immediately notify Fidelity.

(d) I shall immediately notify Fidelity if there is unauthorized use of my passwords and other security data.

(e) I shall immediately notify Fidelity if there is a discrepancy in the account balance or security positions.

(f) All notifications to Fidelity pertaining to this Agreement shall be directed to:

Fidelity Investments
Electronic Product Information Center (EPIC)
P.O. Box 650053
Dallas, Texas 75625-0053

If I fail to notify Fidelity when any of the above conditions occur, neither Fidelity nor any of its employees, agents, affiliates, subsidiaries, or its parent, nor any third parties, can or will have any responsibility or liability to me or to any other person whose claim may arise through me for any claims with respect to the handling, mishandling, or loss of an order. I understand that Fidelity shall not be deemed to have received any order electronically transmitted by me until Fidelity's clearing affiliate has acknowledged to me that the order has been received by Fidelity. I accept full responsibility for the monitoring of my account.

4. Any liability arising out of any action or omission by Fidelity to provide services to me hereunder shall be limited to an amount equal to the benefit which would have resulted from the transaction during the five (5) business days in which I should have acted.

5. I understand that Fidelity will not be responsible for the accuracy, completeness, or use of any information received by it or received by me from outside data sources through Fidelity's Electronic Services and that Fidelity does not make any warranty concerning such information. I understand that all orders placed through Fidelity's Electronic Services are at my sole risk and responsibility. I agree that neither Fidelity nor my third party working with Fidelity to provide services hereunder shall be responsible for any damages caused by communications line failure, unauthorized access, theft, systems failure, and other occurrences beyond its control. I agree to provide all telephone and other equipment to access Fidelity's Electronic Services and I will be solely responsible for paying all charges related hereto.

6. As a condition of being approved to use Fidelity's Electronic Services, I represent and agree that the following statements are and will continue to be true for so long as I receive these electronic services:

(a) I will not use any information or market data provided by a national securities exchange or association in connection with any professional or commercial activities, and I agree to notify you if I intend to do so and to pay any additional charges in connection herewith.

(b) I am not a securities broker-dealer, investment advisor, futures commission merchant, commodities introducing broker or commodity trading advisor, member of a securities exchange or association or futures contract market, or an owner, partner, or associated person of any of the foregoing.

(c) I am not employed by a bank or insurance company or an affiliate of either to perform functions related to securities or commodity futures trading activity.

7. I understand that all the terms and conditions of my Fidelity Brokerage Customer Agreements including margin and option agreements, if applicable, mutual fund application, my applicable prospectus, or Qualified Program Participation Agreement and Fact Kit control the operation of my account and those terms and conditions are incorporated herein by reference.

8. I agree to be liable for any and all charges or other expenses incurred in connection with the use of Fidelity's Electronic Services by me or any other person through use of my security codes, equipment, or otherwise. I understand that the rates, fees, billing, and terms governing services provided by outside vendors may be determined by the vendor.

9. I expressly acknowledge and agree that the use and storage of any information, including without limitation, portfolio information transaction activity, account balances, and other information or orders available through use of Fidelity's Electronic Services is at my sole risk and responsibility. NEITHER FIDELITY NOR ANY THIRD PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES EXPRESS OR IMPLIED INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE IN RESPECT OF FIDELITY'S ELECTRONIC SERVICES OR ANY INFORMATION PROGRAMS OR PRODUCTS OBTAINED FROM, THROUGH OR IN CONNECTION WITH FIDELITY'S ELECTRONIC SERVICES. IN NO EVENT WILL FIDELITY OR ANY THIRD PARTY BE LIABLE FOR DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY DEFECT IN OR USE OF FIDELITY'S ELECTRONIC SERVICES.

10. I agree that Fidelity may discontinue Fidelity's Electronic Services in whole or in part, at any time, and that Fidelity may modify or change the terms of it, in whole or in part, at any time and from time to time. I agree that Fidelity may immediately terminate its services if I breach this Agreement or if I have jeopardized the proper and efficient operation of its services. All commissions and payments due Fidelity shall be made directly to Fidelity in accordance with its policies. Any unauthorized use of Fidelity's Electronic Services, whatsoever, shall result in automatic termination of this Agreement.

11. Any commission discounts associated with Fidelity's Electronic Services, which may be available from time to time, will not apply to any transactions which for any reason cannot be placed and executed through Fidelity's Electronic Services.

12. I understand that each participating national securities exchange or association asserts proprietary interest in all of the market data it furnishes to the parties that disseminate the data. I also understand that neither any participating national securities association, nor any supplier of market data, guarantees the timeliness, sequence, accuracy, or completeness of market data or any other market information, or messages disseminated by any other party. No disseminating party shall be liable in any way, and I agree to indemnify and hold harmless such party, for (a) any inaccuracy, error, or delay in, or omission of, (i) any such data, information, or message or (ii) the transmission or delivery of any such data, information, or message, or (b) any loss or damage arising from or occasioned by, (i) any such inaccuracy, error, delay, or omission, (ii) nonperformance, or, (iii) interruption of any such data, information, or message, due either to any negligent act or omission by any disseminating party or to any "force majeure" (i.e. flood, extraordinary weather conditions, earthquake, or other act of God, fire, war, insurrection, riot, labor dispute, accident, action of government, communications or power failure, equipment or software malfunction) or any other cause beyond the reasonable control of the disseminating party. I understand that the terms of this Agreement may be enforced directly against me by the national securities exchanges and associations providing market data to me.

13. I understand that my use of the Fidelity On-line Xpress or Fidelity On-line Xpress+ software is subject to the terms of a license agreement contained with the software. I agree to be bound by the terms of such license agreement, including without limitation the prohibitions on distribution and copying, the exclusion of all representations and warranties, and the limitation of remedies to the replacement of defective disks.

14. I agree that Fidelity shall not be under a duty to inquire as to the authority or propriety of any instructions given to Fidelity by me, and shall be entitled to act upon any such instructions; and Fidelity will not be liable for any loss, cost, expense, or other liability arising out of any such instructions. I understand that telephone calls to Fidelity may be recorded, and hereby consent to such recording.

15. To the extent that any Fidelity Electronic Services utilize Internet services to transport data or communications, Fidelity will take reasonable security precautions, but Fidelity disclaims any liability for interception of any such data or communications. Fidelity shall not be responsible for, and makes no warranties regarding, the access, speed, or availability of Internet or network services.

16. I recognize that my use of Fidelity On-line Xpress, Fidelity On-line Xpress+, Fidelity TouchTone Trader, Fidelity TouchTone Xpress, or any online securities trading or transaction system, Web-based or otherwise, may involve the transmission to me of information that may be considered personal financial information, including but not limited to the identity and number of shares or units that I trade or hold and the net dollar price for the shares. I consent to the transmission by electronic means of such information through any system, service, or product named or referred to in the preceding sentence; such consent shall be effective at all times that I use any such system, service, or product.

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133
(617) 727-3600

ARGEO PAUL CELLUCCI
GOVERNOR

JANE SWIFT
LIEUTENANT GOVERNOR

Dear Friends:

On behalf of the Commonwealth of Massachusetts, Lieutenant Governor Swift and I are pleased to introduce an exciting new opportunity to save for college – the U.Fund College Investing Plan. The Massachusetts Educational Financing Authority (MEFA) is offering the U.Fund, which is administered by Fidelity Investments - the result: a tax-advantaged savings plan that features professionally managed Fidelity funds.

Our new program provides a tax incentive for parents, grandparents and others to invest for a future college or graduate student for as little as $50 a month. There is no doubt that education is an investment and our children's future depends upon the opportunities a college education can provide. The best way to pay for a college education is to start planning and saving now, and enjoy the benefits of tax-deferred growth.

Enclosed you will find information on how you can get started on saving with the U.Fund. I encourage you to carefully review these materials and call 1-800-544-2776 if you have any questions. The Commonwealth's new college investing plan, the U.Fund, is sure to help meet the costs of higher education.

Sincerely,

Paul Cellucci

Argeo Paul Cellucci

table of contents

The U.Fund℠ Advantage

The U.Fund College Investing Plan℠ can be an easy and effective way to help you invest for a child's higher education.[1] It provides:

- Tax-deferred growth of earnings
- Potential for competitive market returns, using mutual funds from Fidelity Investments
- The flexibility to be used at accredited post-secondary institutions anywhere in the U.S.
- Low minimum investment requirement and high contribution limit

And that's just the beginning. With the U.Fund, you can also:

- Change beneficiaries within the family of the original beneficiary at any time without penalty
- Withdraw your money in case of an emergency (subject to income taxes and a 10% penalty)

[1] The U.Fund does not guarantee a rate of return and may not be right for everyone. However, if you are looking for a better way to invest for a child's higher education, it might be right for you.

Questions?

Call 1-800-544-2776 for a representative or **visit www.fidelity.com/ufund**

A Winning Combination

To help you provide for the rising costs of higher education, the Massachusetts Educational Financing Authority (MEFA) has teamed with Fidelity Investments to offer you the U.Fund College Investing Plan. The U.Fund is flexible and affordable, and it combines significant tax advantages with experienced investment management.

The U.Fund is available to residents of all states. It is intended for individuals of all income levels with higher education goals for their children, grandchildren, or other loved ones. Whether your beneficiary attends a private college, public university, graduate school, two-year community college or vocational-technical school, anywhere in the United States, the U.Fund can help you meet the significant financial challenge that lies ahead.

Although neither the Massachusetts Educational Financing Authority nor Fidelity Investments can guarantee a rate of return on your investments, the U.Fund has been designed to be an attractive and innovative opportunity to invest for higher education.

Please refer to the Fact Kit for more details.

Highlights of the U.Fund

The U.Fund offers significant benefits that compare favorably with any other college savings plan currently available.

Tax-advantaged earnings.

- Earnings in your U.Fund account grow federal and state income tax deferred.[2] When assets are withdrawn for qualified expenses (including tuition, fees, room, board, books, and supplies), federal taxes are payable by the beneficiary, whose tax rate is typically lower. If you already have money set aside for college in a taxable account (such as savings accounts, CDs, mutual funds, etc.), you may want to consider the tax benefits of moving it to the U.Fund.

Potential for competitive market returns.

- Your contributions will be invested in units of one of the U.Fund portfolios. Strategic Advisers, Inc. (a Fidelity Investments company) will manage the U.Fund portfolios and invest in Fidelity mutual funds.[3] The portfolio manager will automatically adjust the balance of stock, bond, and money market mutual funds in the portfolio according to your beneficiary's age.

  When the beneficiary is ten or more years away from college age, the portfolio is heavily invested in equity mutual funds to seek growth of capital. As the beneficiary nears college age, the portfolio gradually shifts emphasis to bond and money market mutual funds to help preserve capital and better ensure that funds will be readily available for college expenses. Although no rate of return is guaranteed, Strategic Advisers employs an asset allocation strategy which has the potential to beat college inflation while reducing risk, particularly as the child approaches college age. For a detailed explanation of the U.Fund's investment strategy, please see the Investment Strategy section on page 10 of this brochure, or the Fact Kit.

[2]Other states may offer plans with state tax advantages for their residents. If you are not a Massachusetts resident, you may want to contact your state to see if it offers a plan.

[3]Under federal law you cannot direct your own investments in the U.Fund.

Low investment requirement and high contribution limit.

- You can get started for as little as $50 a month with automatic payments.[4] There are no restrictions on participation based on your income, and individual lump sum contributions of up to $50,000 per beneficiary are permitted in a single year without there being a taxable gift.[5] Once assets are placed in the U.Fund, they are generally considered to be out of the participant's (the donor's) estate. (Consult your tax advisor for your particular situation.) If the value of all accounts opened on behalf of a single beneficiary exceeds the U.Fund contribution limit (currently over $158,000[6]), further contributions will not be accepted.

Flexibility.

- **Withdrawals for non-higher education purposes.**
  You can take money from your account at any time. However, if the money is not used to pay for qualified higher education expenses, earnings on such withdrawals will be taxed as ordinary income at your rate, and a federally mandated penalty equal to 10% of any investment gains distributed will apply. If your beneficiary receives a scholarship for higher education expenses, you may withdraw an amount equal to the value of the scholarship from your account without paying a penalty. You may also make penalty-free withdrawals (subject to taxation of earnings) in the event of the death or disability of your beneficiary.

- **Use of funds at schools anywhere in the U.S.**
  Assets in the U.Fund can be used to pay for qualified higher education expenses at accredited post-secondary institutions anywhere in the United States. These include public and private colleges and universities, graduate schools, two-year community colleges, and vocational-technical schools.

- **Change of beneficiaries.**
  The participant (the donor) maintains control until account assets are withdrawn. The participant can change the beneficiary to be another family member of the original beneficiary – including adults returning to school – without paying a penalty.[7]

[4]Periodic investment plans do not assure a profit and do not protect against a loss in a declining market.

[5]To avoid the federal gift tax on a $50,000 contribution, you must make no further gifts to the beneficiary over the five-year period, and treat the gift as a series of five equal annual gifts. If you prorate a gift of less than $50,000, you can make additional gifts without gift tax so long as the total of the prorated gift and the additional gifts do not exceed $10,000 in any one year. If you decide to prorate a gift of more than $10,000, a prorated portion of the gift will be included in your estate if you should die before the end of the five-year period.

[6]See the Fact Kit for the exact contribution limit and other details.

[7]Family members include anyone who is related to the beneficiary in one of the following ways: sibling, half-sibling, step-sibling, niece or nephew, parent, step-child, grandparent, aunt or uncle, immediate in-law (mother, father, brother, sister, daughter or son), or the spouse of any family member listed above. However, changing the beneficiary to someone in a younger generation in the family will result in a federal gift tax. Pending clarification of its permissibility under federal tax requirements, the U.Fund, at this point, does not permit you to name yourself as a beneficiary.

Low fees and expenses.

- The U.Fund charges an annual $30 maintenance fee per account, which is waived if you sign up for direct deposit or Fidelity Automatic Account Builder (FAAB) or if the combined value of your account and any other accounts with the same beneficiary is $25,000 or more. There is a daily charge at a rate equal to 0.30% ($3 per $1,000) of your account assets per year. Each of the mutual funds also has investment management fees and other expenses which vary from fund to fund. No loads are deducted from your U.Fund purchase. Please see the Fact Kit for more details.

Important Point to Consider: Although the U.Fund has many benefits, it may not be appropriate for all investors. Please review your individual situation to make sure the U.Fund is right for you.

How is the U.Fund different from the U.Plan?

The U.Plan is a prepaid tuition program which locks in future tuition and mandatory fees at today's rates at over 80 Massachusetts colleges and universities. The investment, in General Obligation Bonds, is guaranteed by the Commonwealth of Massachusetts. By comparison, the U.Fund can be used to cover not only tuition and fees, but other qualified educational expenses, including room and board, books and supplies at accredited post-secondary schools anywhere in the country. The U.Fund has the potential to beat the rate of college inflation although no result is guaranteed.

For more information about the U.Plan, contact the Massachusetts Educational Financing Authority at 1-800-449-MEFA (6332).

The U.Fund Portfolios

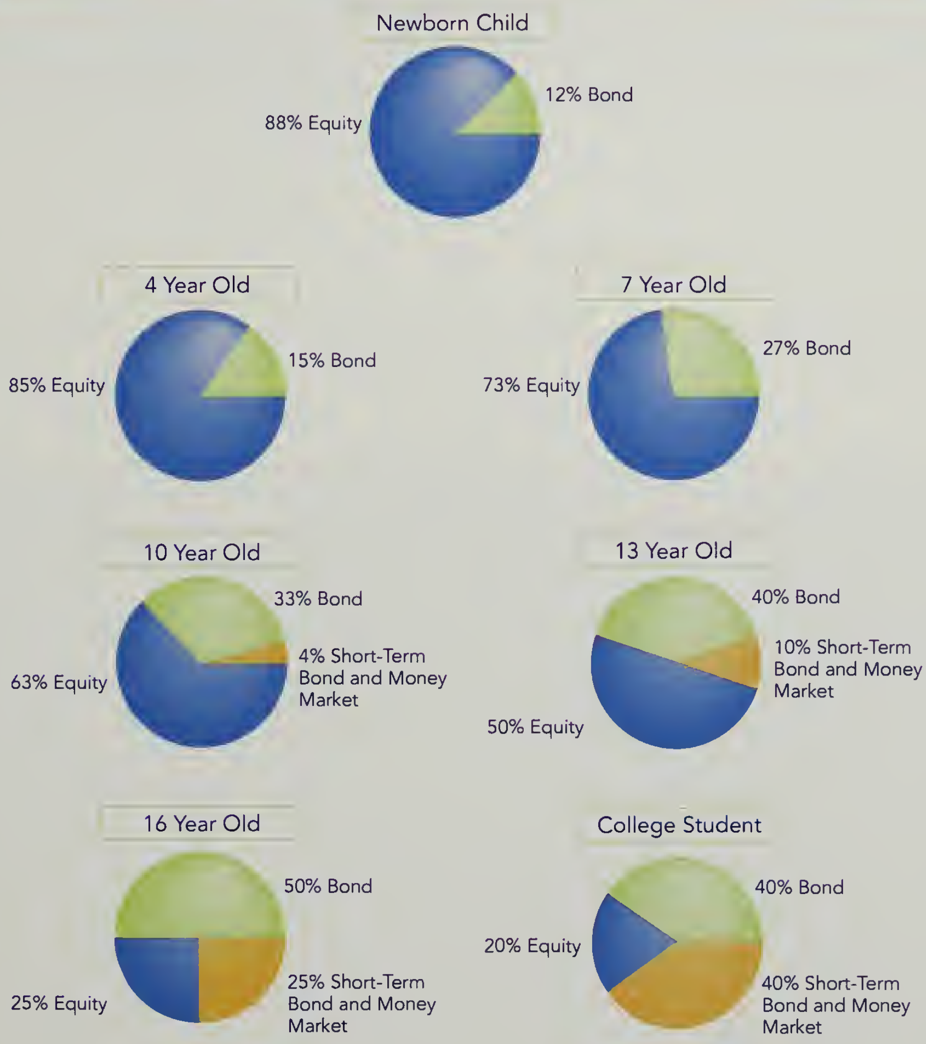
The U.Fund also puts the investment expertise of Fidelity to work for you. Balancing investment risks against potential returns can be a difficult task – especially if you do not have the time or the inclination to do so. Investments in the U.Fund portfolios are managed by Strategic Advisers, Inc., a Fidelity Investments company. An experienced portfolio manager will automatically determine the portfolio's investment mix and make appropriate adjustments according to your beneficiary's age. (Under federal law, you cannot direct your own investment in the U.Fund.)

This approach provides the flexibility to adjust the U.Fund in order to maximize return potential under a variety of market conditions over the short and long term.

Fidelity's Age-Based Asset Allocation Strategy

To effectively manage risk, the U.Fund is composed of eight mutual fund portfolios generally comprised of stock, bond, and money market funds. Each portfolio is designed for a specific age range. Upon enrollment in the U.Fund, your beneficiary is automatically assigned to a portfolio based on date of birth. The asset allocation of this portfolio will change systematically over time.

How the U.Fund Changes Over Time



This example illustrates the gradual shift in asset allocation over an 18-year period for a newborn child enrolled in the U.Fund.

The newborn child's account will be invested in a portfolio that holds a higher percentage of equity-based mutual funds. As the child approaches college age (date of birth plus 18 years), the investment gradually shifts to a more conservative allocation. This gradual shift enables the participant, who can tolerate some short-term volatility, to pursue the advantages of the equity markets over the long term. In years closer to college age, the asset allocation is designed to be less volatile in order to better preserve capital.

When the child reaches college age, the portfolio is comprised mostly of bond and money market funds. These more conservative holdings are designed to protect earnings at the time when it is expected that the participant will be withdrawing money to pay the child's higher education expenses.

Investment Strategy

Each portfolio of the U.Fund will invest in selected Fidelity mutual funds, including those listed on this page. Your investment purchases units of one of the U.Fund's eight portfolios based on your beneficiary's age. (You cannot invest directly in these mutual funds through the U.Fund.)

The funds listed here are alphabetical within five categories. Historically, international equity funds have been more aggressive than domestic equity funds, domestic equity funds have been more aggressive than high-yield fixed-income funds, and so forth.

For more complete information on the U.Fund's portfolios, please refer to the Fact Kit.

Asset Class and Portfolio	Investment Objective
International Equity Funds[8]	
Fidelity Diversified International Fund	Long-term growth of capital
Fidelity Overseas Fund	Long-term growth of capital
Domestic Equity Funds	
Fidelity Blue Chip Growth Fund	Long-term capital appreciation
Fidelity Disciplined Equity Fund	Long-term growth of capital
Fidelity Equity-Income II Fund	Reasonable income with capital appreciation
Fidelity Fund	Long-term capital growth with current income
Fidelity Growth & Income Portfolio	High total return through current income and capital appreciation
Fidelity Dividend Growth Fund	Capital appreciation
Fidelity OTC Portfolio	Long-term capital appreciation
Spartan Market Index Fund	Investment results that correspond to the total return of common stocks publicly traded in the U.S.
High Yield Fixed-Income Funds	
Fidelity Capital & Income Fund[9]	Income and capital growth
Fixed-Income Funds	
Fidelity Government Income Fund	High current income
Fidelity Intermediate Bond Fund	High current income
Fidelity Investment Grade Bond Fund	High current income
Short-Term Bond and Money Market Funds	
Fidelity Daily Income Trust[10]	Income while maintaining a stable $1.00 share price
Fidelity Short-Term Bond Fund	High current income with preservation of capital

Primary Investments

Equity securities of companies located anywhere outside of the U.S.

Securities of issuers whose principal activities are outside of the U.S.

Common stock of well-known and established companies

Diversified portfolio of common stocks that management determines through both technical and fundamental analysis to be undervalued compared to industry norms

Income-producing equity securities

Common stocks and securities convertible to common stocks

Domestic and foreign equity securities

Companies that have the potential for increasing their dividends or for commencing dividend payments, if none are currently paid

Equity securities traded on the over-the-counter market

Companies that compose the Standard & Poor's 500 Composite Stock Price Index

Debt instruments and common and preferred stocks with an emphasis on lower-quality debt securities

Primarily U.S. government and government agency securities

Investment-grade debt securities

Investment-grade debt securities

High-quality, short-term domestic money market securities

Investment-grade debt securities

There is no guarantee that any investment portfolio will achieve its investment objective. Your value invested in the U.Fund will vary, and you may have a gain or a loss when money is withdrawn.

[8] Foreign investments involve greater risk than U.S. investments, including political development and currency fluctuations.

[9] The fund may invest in lower-quality debt securities, which generally offer higher yields but also carry more risk.

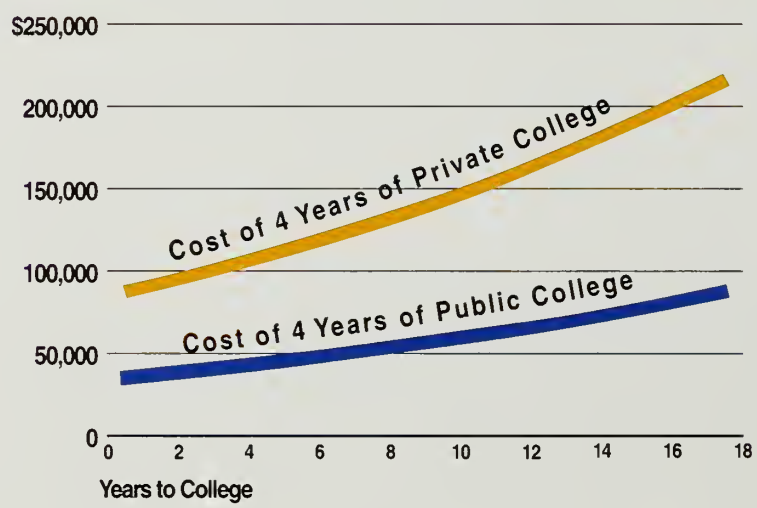
[10] An investment in the fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other U.S. government agency. Although a money market fund strives to preserve the value of your investment at $1 per share, it is possible to lose money by investing in a money market fund.

Developing Your College Investing Plan

For the past 5 years, the average cost of college has risen nationally at a rate of about 5% per year, consistently outpacing the rate of overall inflation.[11] If current trends continue, it is possible the average cost for a child entering college in 18 years may be more than $210,000 for a four-year private institution and as much as $85,000 for a four-year public institution.

However, starting early and investing regularly in tax-advantaged instruments may give you a chance of beating college inflation and providing for your beneficiary's future education goals.

Rising Cost of U.S. Colleges



[11]Graph assumes cost of college growing at 5% each year. College inflation rate based on information as of 9/98 from The College Board, a non-profit scholastic service association of high schools and colleges. Average annual cost for a four-year private college in the U.S. is $20,940 and $8,435 for a four-year public college. These costs include tuition, fees, books, room and board.

Financing a College Education

Families typically approach the cost of higher education in several ways. Some college expenses can be paid from current income during the years of enrollment. However, some families need to spread out college costs over a longer period of time and accomplish this by borrowing money to pay for college expenses. While educational loans can be helpful, they also increase the overall cost of paying for college.

One of the best ways for families to pay for college is through saving well in advance of college enrollment. Accumulated savings can reduce the cost burden during the college years, and reduce the need for borrowing to cover education expenses. As illustrated in the chart on page 14, the earlier regular saving begins, the more impact it can have on minimizing future college costs.

To determine how much you need to save, you'll need to consider several factors, including:

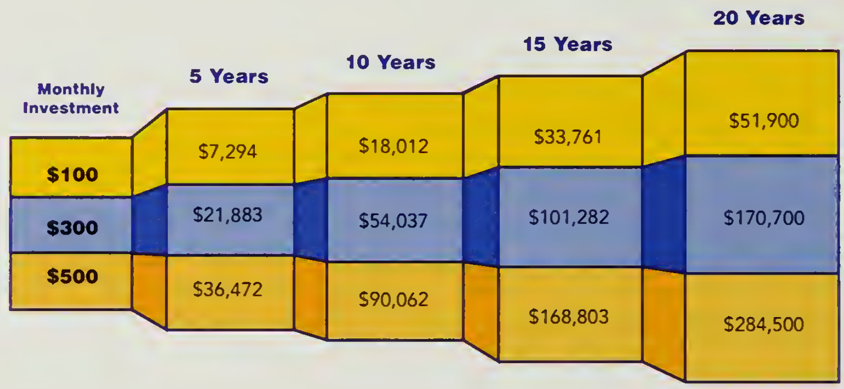
- Whether you expect your beneficiary will attend public or private college, and whether he or she will attend a two-year or a four-year program;
- The number of years you have until he or she enrolls;
- The rate at which college costs are expected to grow;
- The amount you may have saved already.

The most important thing is to begin saving, regardless of the amount. Remember: regular investing, even in small amounts, can add up to a significant sum over time. See the chart on the next page for an illustration.

For a more detailed estimate of how much to save to meet your goal, visit the college cost calculator at www.fidelity.com/ufund.

Regular Investments Can Add Up Over Time

By investing even a small amount on a regular basis, you can accumulate a significant amount in a college fund.



This hypothetical example illustrates the future value of different regular monthly investments for different periods of time and assumes an annual effective investment return of 8%. This does not reflect an actual investment in the U.Fund and does not reflect any taxes. Unit price and return will vary, and different investments may perform better or worse than this example. Periodic investment plans do not assure a profit and do not protect against a loss in a declining market.

How Dollar Cost Averaging Can Help College Investors

By investing regularly in the U.Fund, you may also benefit from "dollar cost averaging." With dollar cost averaging, you invest the same dollar amount on a regular basis rather than trying to time the market. So you end up buying fewer units when the price per unit is high and more units when the price per unit is low. For this strategy to be effective you must consider your ability to purchase units in both up and down markets.

How does the U.Fund compare to a UGMA/UTMA?

Another type of account commonly used to save for college is the Uniform Gift (or Trust) to Minors Act. This chart shows the key differences between a UGMA/UTMA and the U.Fund.

U.Fund College Investing Plan	UGMA/UTMA
The money is intended to be used for qualified higher education expenses. If not used for those expenses, it will be subject to the participant's tax rate (usually higher than the child's) and a 10% penalty.	The money does not have to be used for college. However, it must be used for the benefit of the child.
The participant (donor) maintains control over any withdrawals from the account, regardless of the beneficiary's age.	After the age of majority, the beneficiary assumes control of the assets and can make withdrawals for any reason.
The participant may withdraw the money for any reason. However, withdrawals not used for qualified higher education expenses will be taxed as income to the participant, and may be subject to a 10% penalty.	The participant may not withdraw the money, except for expenses that benefit the child. It is an irrevocable gift to the child.
The beneficiary can be changed to a family member of the original beneficiary penalty free.	Beneficiary may not be changed. It is an irrevocable gift to the child.
Investment strategy is set by MEFA and Fidelity Investments (see p. 10). The participant may not direct the investments.	The custodian may decide how the money is invested.
Contributions must be made in cash.	Contributions may be made in cash or securities.
No taxes are due while the money is accumulating. When withdrawn for qualified higher education expenses, earnings are taxed as ordinary income to the beneficiary.	If the child's income (including investment earnings) exceeds $700, income must be filed on parent's or child's tax return.
The account is not included in the participant's estate, in the event of the participant's death. However, if the participant makes a gift of more than $10,000 in one year and elects to prorate the gift over 5 years, the portion of the gift allocable to the years remaining in the five year period would be includable in the participant's estate, in the event he or she dies before the end of the 5 year period.	If the donor acts as the custodian of the account, the value of the account will be included in the donor's estate in the event of the donor's death.

Getting Started: Four Easy Steps

1. **Carefully read the brochure and the accompanying Fact Kit, Participation Agreement, and brokerage account Customer Agreement.**

2. **Complete the enclosed brokerage account Application.**
If you wish to sign up for regular investing, complete the Fidelity Automatic Account Builder® (FAAB) section. You can get started for as little as $50 per month or $150 per quarter. The $30 annual fee is waived for U.Fund accounts that use FAAB.

3. **Send in a check for your initial purchase.**
You can send in a check for as little as $50 per month if you use it to sign up for FAAB. Otherwise, a minimum initial investment of $1,000 is required to set up your U.Fund account.*

4. **If you wish, transfer proceeds from other Fidelity investments or mutual funds.**
If you are a Fidelity customer, you may liquidate your assets from other investments you hold at Fidelity and transfer the proceeds into your U.Fund account. Keep in mind, however, that if you sell individual securities or mutual fund shares, you may have to pay taxes on any capital gains and you may want to consult your tax advisor before doing so. Also, please remember that federal law prohibits you from directing your own investments in the U.Fund.

If you have any questions about the U.Fund or would like help setting up an account, please call 1-800-544-2776 to speak with a dedicated U.Fund representative at Fidelity, or visit www.fidelity.com/ufund.

* If you can't meet the minimum of $50 per month or $1,000 initial contribution, there are several alternatives that may better suit your needs. The Education IRA and MEFA's U.Plan prepaid tuition program both have lower minimums and offer federal tax exemption (and state tax exemption to MA residents). Or if access to your funds without delay or penalty is critical, just saving in your name in a money market or bank account may be the answer.

MEFA
Massachusetts Educational
Financing Authority

At the request of Massachusetts colleges and universities, the Massachusetts Educational Financing Authority (MEFA) was established in 1982 under Massachusetts General Laws "to assist borrowers and institutions for higher education in the financing and refinancing of the cost of education" and to increase the "commerce, welfare, and prosperity" of the people of the Commonwealth. Subsequent legislation directed MEFA to establish college savings programs.

MEFA's mission is to promote the economic development of the higher education industry through low-cost financing alternatives, structured college savings programs, and by providing college financing expertise to students, families, colleges and universities.

MEFA's programs include:

- The **U.Fund** College Investing Plan, offered by MEFA and managed by Fidelity Investments, enables families to invest for qualified higher education expenses through a selected portfolio of professionally managed mutual funds.
- The **U.Plan,** the Commonwealth's prepaid tuition program which enables families to lock in tomorrow's tuition at today's rates at over 80 Massachusetts colleges and universities.
- The **MEFA Loan,** one of the nation's lowest cost college loan programs, assisting families of undergraduate and graduate students from all states attending Massachusetts colleges and universities (as well as Massachusetts residents attending any college in the country).
- **Public Service Outreach,** including free educational seminars on saving for and financing a college education for parents and students across Massachusetts.
- **Professional Outreach,** including instructional seminars to guidance counselors, admissions and financial aid professionals and financial planners on college financing and financial aid.

In its 17-year history, MEFA has issued over $1 billion in bonds and assisted over 94,000 families in financing a college education.

Fidelity Investments®

WHERE 15 MILLION INVESTORS PUT THEIR TRUST.℠

MEFA
Massachusetts Educational
Financing Authority

72588.001

MACIT-FFBRO-0399
1.715399.100